DEPARTMENT OF COMMUNICATIONS
BROADCASTING POLICY DIVISION
BROADCASTING AND CONTENT SERVICES POLICY BRANCH

CABLE TELEVISION INDUSTRY OVERVIEW

CHARTS & GRAPHS 1983

MARCH 1985

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INTRODUCTION

This handbook is intended to serve as a quick reference source for some of the major statistical indicators on the cable television industry in Canada.

The industry exhibits characteristics of both a broadcaster and a common carrier. Its dominant characteristics are its ability to distribute programming services, including broadcast signals, and to provide a range of services such as 2-way surveillance, videotex, teletex, teleshopping and telebanking.

The cable industry is licenced and fully regulated by the Canadian Radio-Television and Telecommunications Commission (CRTC). Each system has a designated territory assigned by the CRTC and is governed by regulations concerning operating practices and subscription rates. Each cable system must also meet technical standards and signal quality set by the federal Department of Communications.

SOURCE OF DATA

The statistics and charts presented in this handbook are based upon material taken from the Department of Communications' Cable Television database, from Matthews' CATV, published by Publicorp Communications Inc., and from Statistics Canada Catalogue 56-205, Cable Television Annual, 1972-1983.

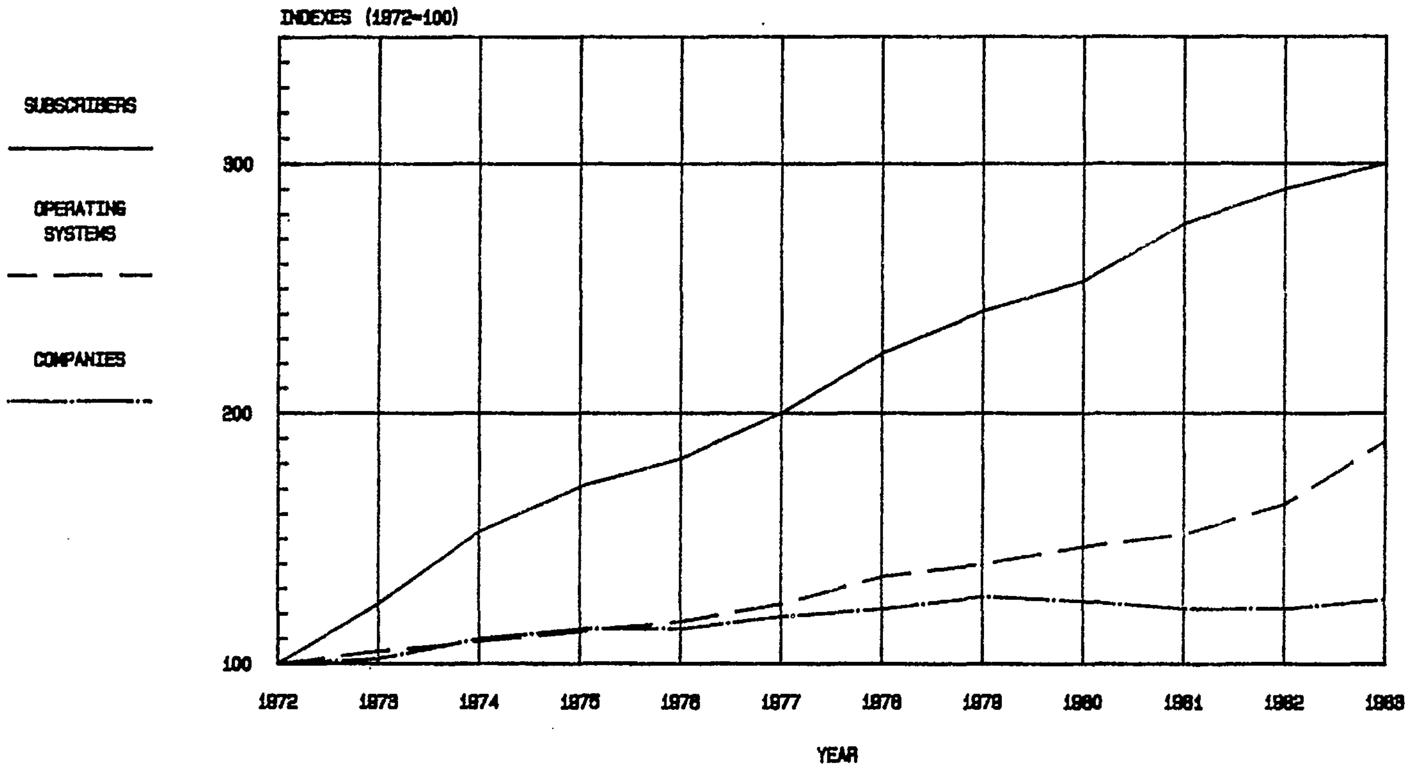
The data maintained by Statistics Canada and the Department of Communications are derived from Statistics Canada's annual survey of Canadian cable companies. The survey captures ownership, financial and operating information from all cable companies licenced by CRTC. Licensees with more than 1,000 subscribers are required to complete the survey return in detail. Companies with 1,000 subscribers or less are required to submit summary information. In this handbook, therefore, certain detailed information is provided only for companies with more than 1,000 subscribers. Since the smaller companies represent only about 1% of the total cable subscribers, these statistics are used to represent industry totals.

Statistics Canada reports on cable television began in 1967. Due to changes in methodology, however, information gathered prior to 1972 is inconsistent with that collected from 1972 to the present. For the purposes of this report, therefore, information from 1972 to 1983 will be presented; 1972 being considered the "baseline" year.

SUPPLY & DEMAND CHARACTERISTICS

In 1983, 5.1 million Canadian households subscribed to cable television, reflecting a 200% increase in the number of subscsribers since 1972. The number of operating cable systems increased from 344 in 1972 to 651 systems in 1983. Growth in the number of cable companies was considerably less; cable companies showed an increase of 26% from 1972 to 1983, however decreased from 341 in 1979 to 326 in 1982.

GROWTH OF CABLE TV IN CANADA, 1972-1983



A cable television system represents an enterprise which distributes broadcasting signals via cable to subscribers within a geographical area. A cable company is a holding company which may own one or more cable television systems. A cable subscriber represents a household billed by a cable system operator, either directly or indirectly.

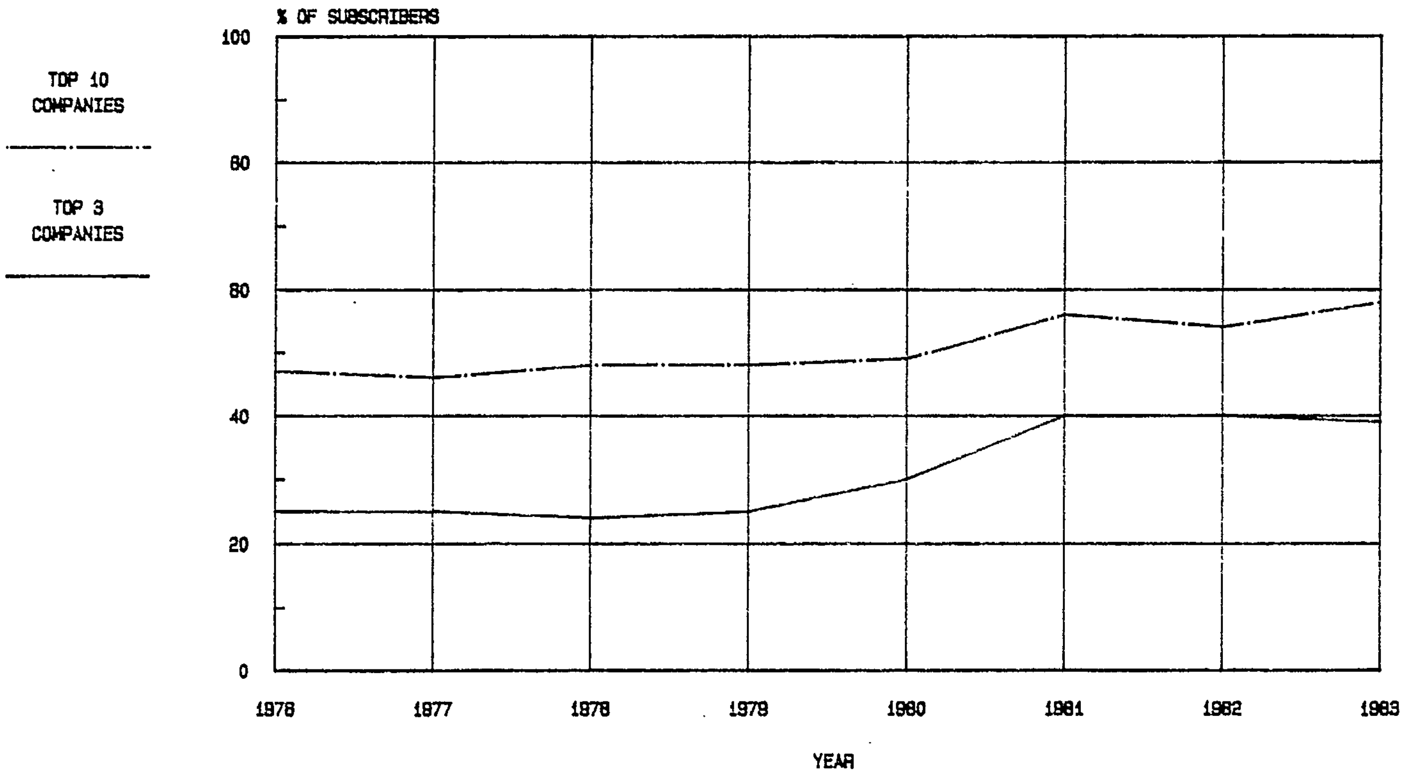
The rise in subscribers coupled by a slight decrease in the number of companies suggests that a concentration of ownership has been occuring (see preceeding chart). The effects of this growing concentration of ownership can be seen by looking at the share of the cable market the top ten cable companies enjoy.

In 1976, 47% of all cable subscribers received cable services from one of the top 10 companies. In 1983, this figure had risen to 54%.

The concentration effect is even more obvious if the charts are limited to the top three companies. In 1976, about one person in four (25%) received their cable from one of the three largest companies. In 1983, the "Big Three's" share had risen to 30%.

Clearly, with the three largest companies controlling 30% of the subscribers, any new service gaining access to these systems is in a much improved position to succeed financially.

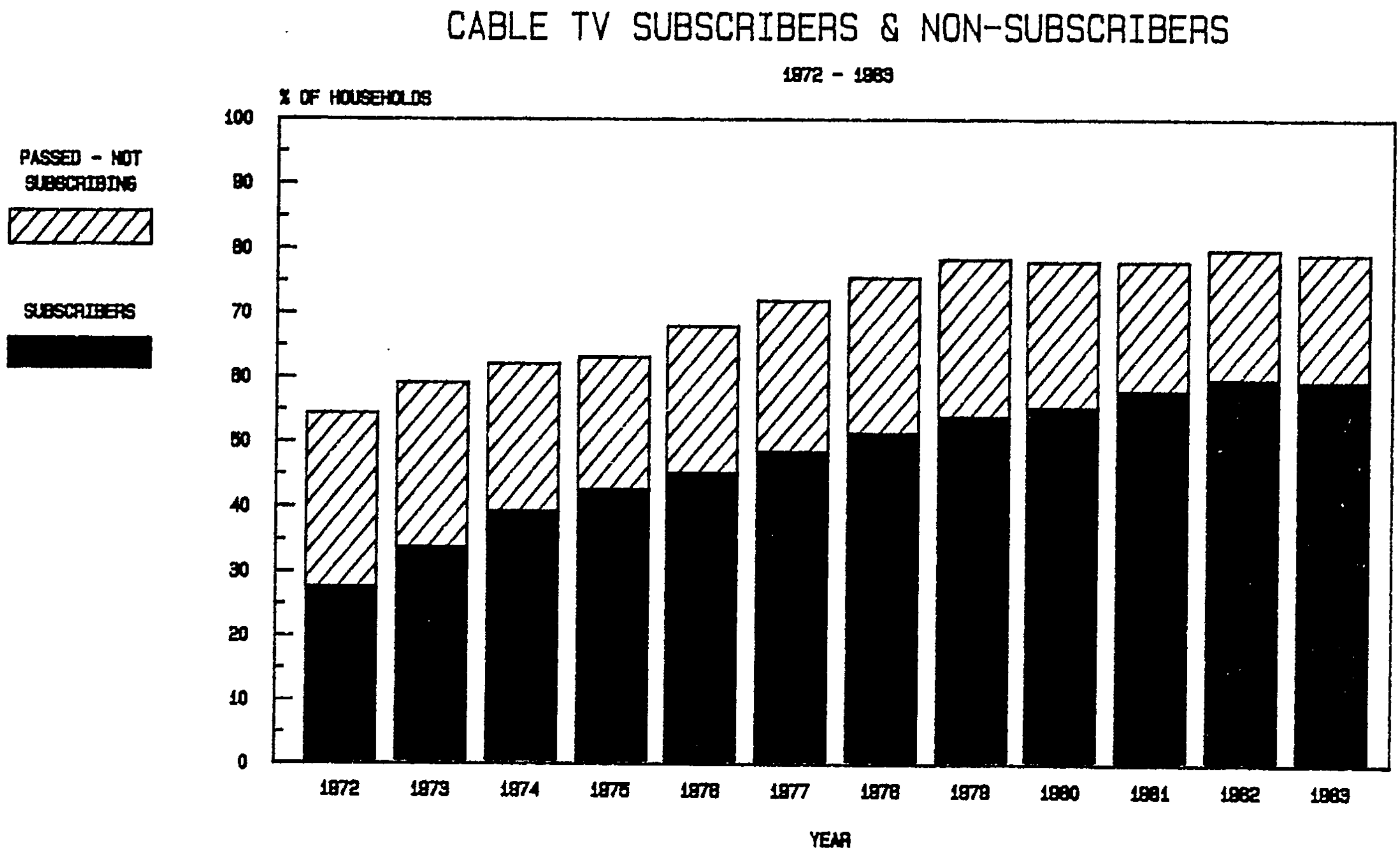
CONCENTRATION OF OWNERSHIP



Between 1972 and 1983, the number of households in Canada increased from 6.1 million to 8.7 million. The number of households in areas licenced for cable increased from 3.7 million (60.6% of all households) in 1972 to 7.1 million (81.9 of all households) in 1983.

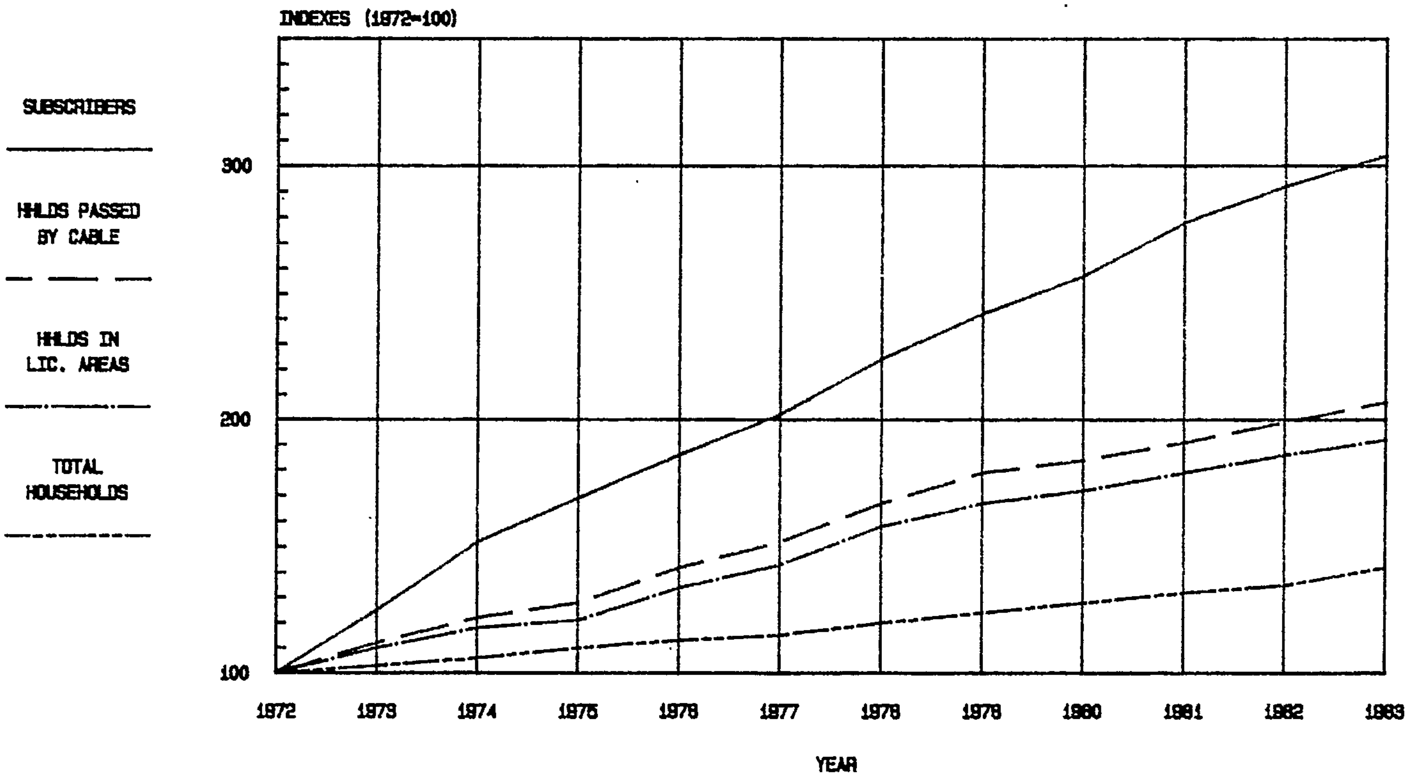
Just over half of the households in Canada were passed by cable in 1972. By 1983, 79% (6.8 million) of all households were passed by cable. This increase reflects both expansion into areas not previously served by cable and an increase in population in serviced areas.

In 1972, 51% (1.7 million) of the households passed by cable were subscribers to the service. In 1983, the number of cable subscribers represented 75% of the households passed by cable and 59% of the total households in Canada.



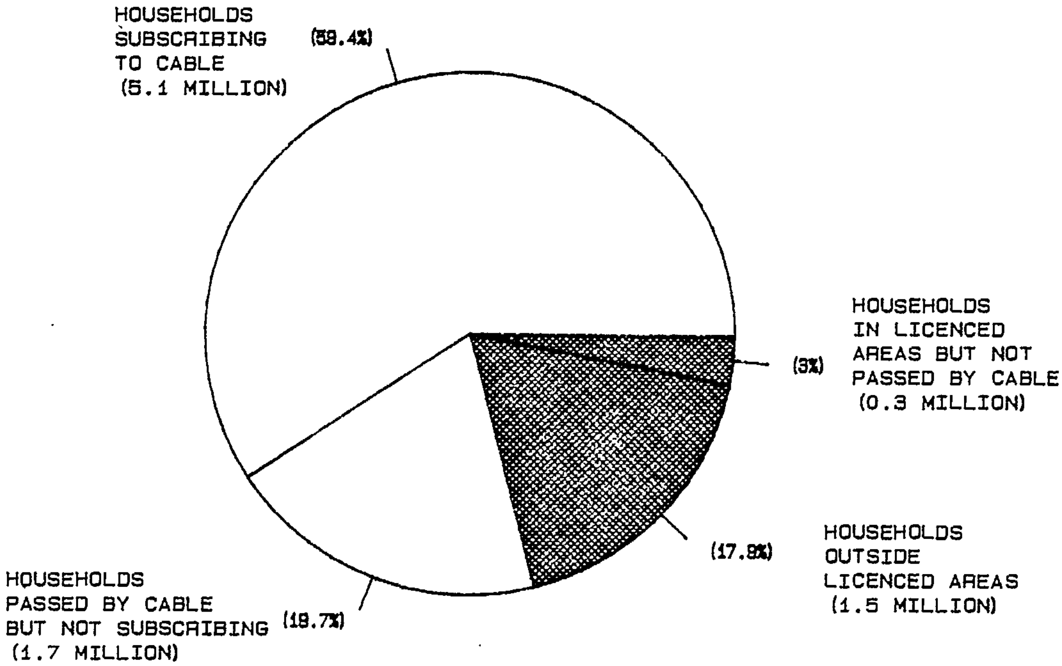
These growth rates show that the increase in the number of subscribers reflects the increase in the total number of Canadian households, and more particularly, the increased number of households in areas licenced for and passed by cable. However, growth in the number of subscribers also reflects increased market penetration, as indicated by the faster growth in subscription relative to the increase in the number of households passed by cable.

CABLE TV MARKET PENETRATION, 1972-1983



HOUSEHOLD COVERAGE OF CABLE TV IN CANADA

1983



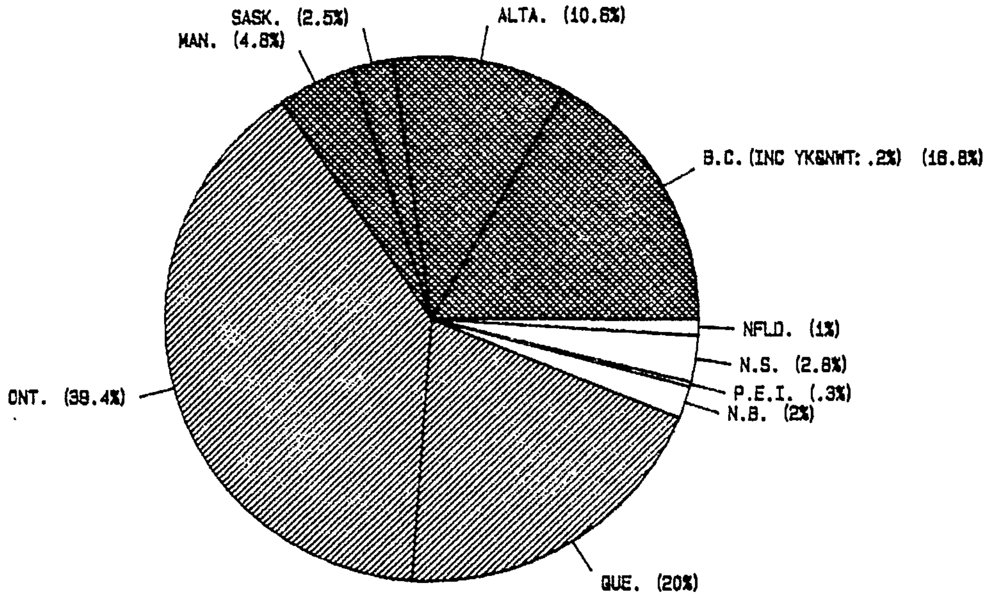
PROVINCIAL BREAKDOWN

In 1983, 67% of the Canadian cable television systems were located in the country's most populated provinces, i.e. Ontario, Quebec and British Columbia. Seventy-six percent of the subscribers to cable television were located in these provinces; 39% of the subscribers were in Ontario

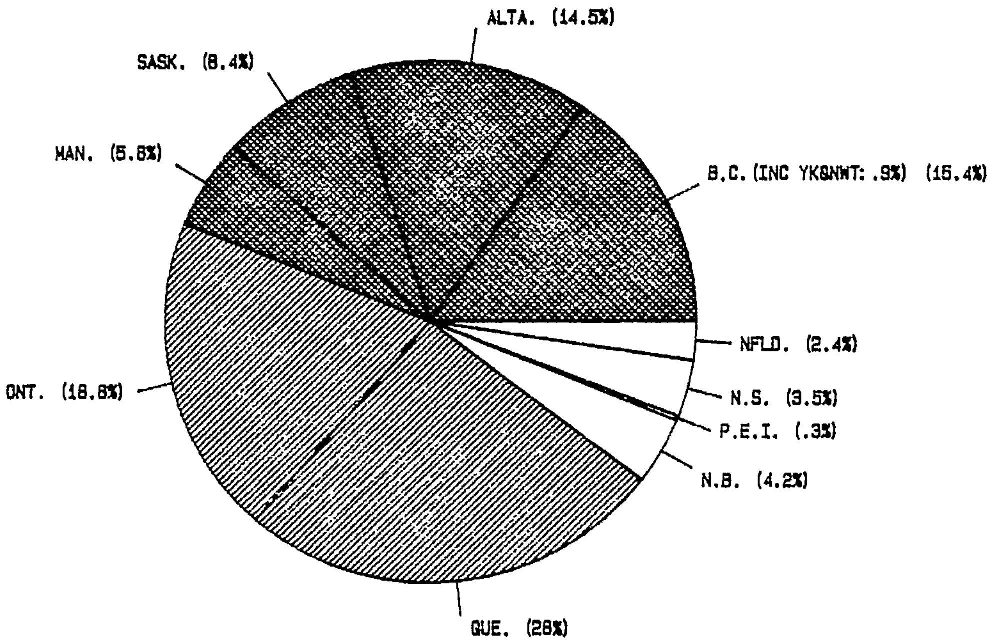
PROVINCE	NUMBER OF OPERATING SYSTEMS	PERCENT OF TOTAL	NUMBER OF SUBSCRIBERS	PERCENT OF TOTAL
Newfoundland	17	2.6	49,743	1.0
Prince Edward Island	2	0.3	15,156	0.3
Nova Scotia	25	3.8	144,905	2.8
New Brunswick	30	4.6	101,763	2.0
Quebec	186	28.6	1,028,537	20.0
Ontario	142	21.8	2,024,107	39.4
Manitoba	40	6.1	236,888	4.6
Saskatchewan	40	6.1	129,864	2.5
Alberta	60	9.2	546,126	10.6
British Columbia,	104	16.0	855,178	16.6
Yukon & Northwest Territories	6	0.9	7,995	0.2
Canada	651	100.0	5,140,262	100.0

This information is graphically displayed on the following page.

SUBSCRIBERS



SYSTEMS

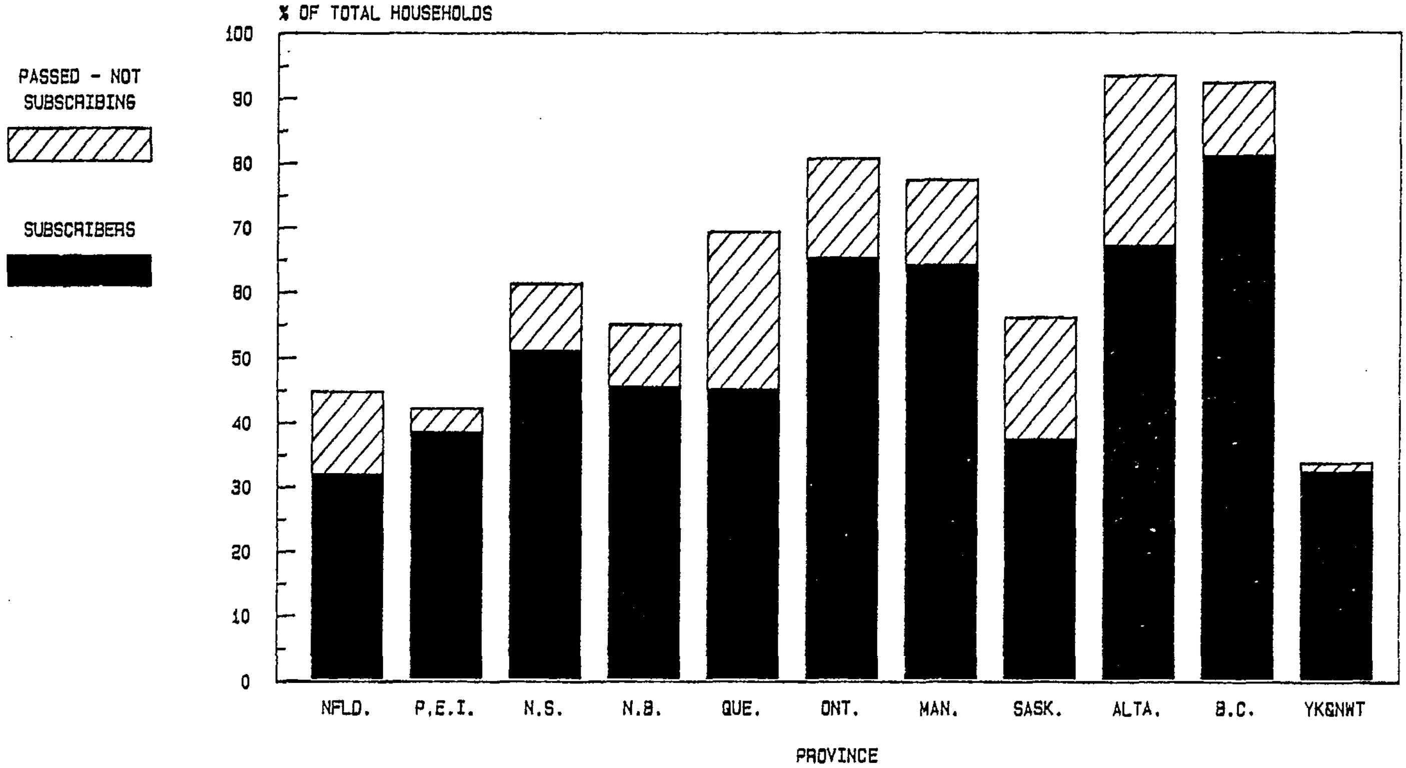


Proportionately, more households in British Columbia, Alberta, Ontario and Quebec were passed by cable compared to the other provinces. Ninety-two percent of the households in British Columbia in 1983 were passed by cable. In contrast, 65% of the households in Prince Edward Island and 34% of the households in Yukon and Northwest Territories were passed by cable.

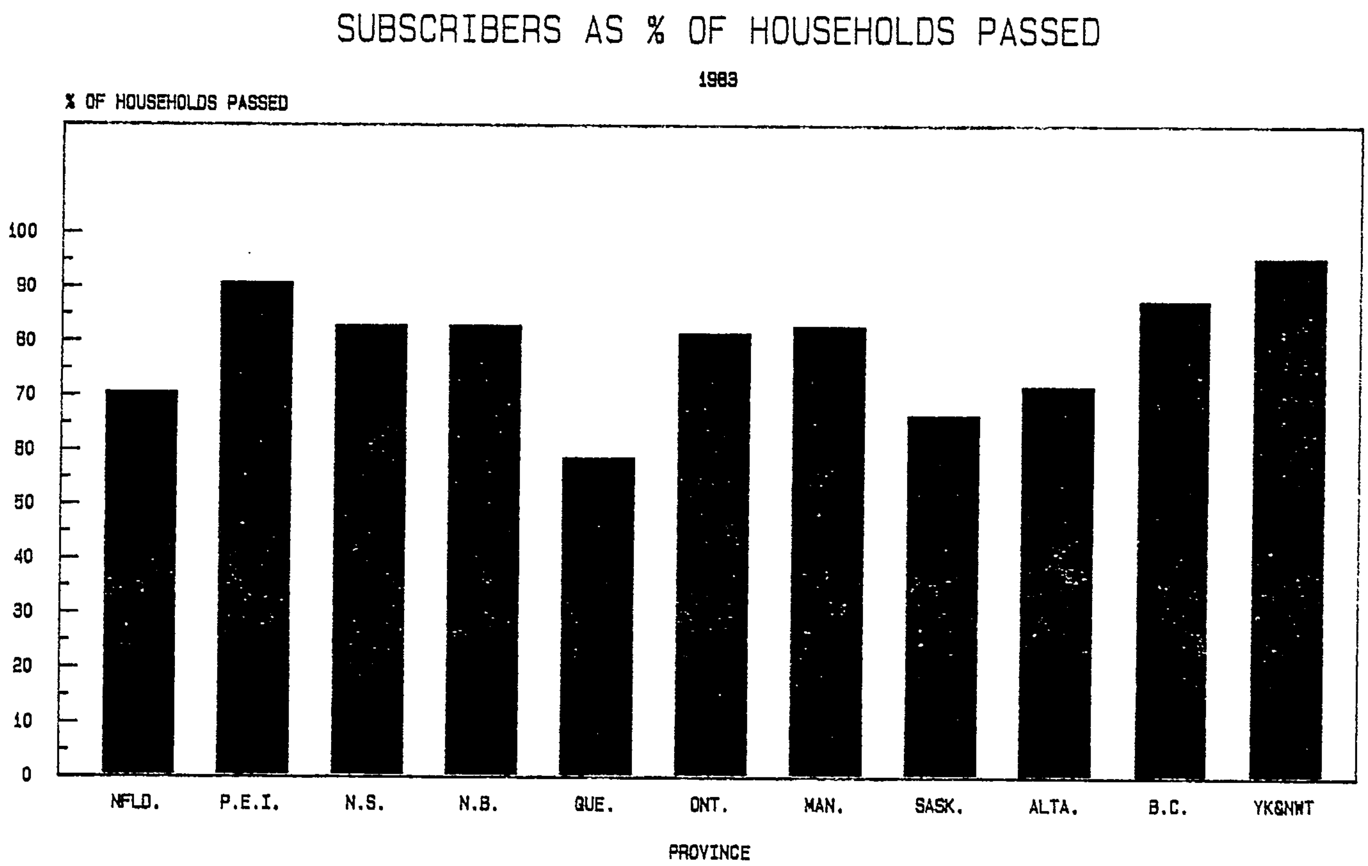
The proportion of households subscribing to cable television also varied by province. In British Columbia, 81% of the total number of households in the province subscribed to cable; in Newfoundland, only 32% of the households were cable subscribers.

CABLE TV SUBSCRIBERS & NON-SUBSCRIBERS

1983



The proportion of households subscribing to cable television is partly determined by the proportion of households passed by cable. Given that the service is available, however, the proportion of households choosing to subscribe to it also varies by region. In the Yukon and Northwest Territories, Prince Edward Island and British Columbia, close to 90% of the households passed by cable were subscribers in 1983. In contrast, 59% of the households in Quebec passed by cable subscribed to the service.



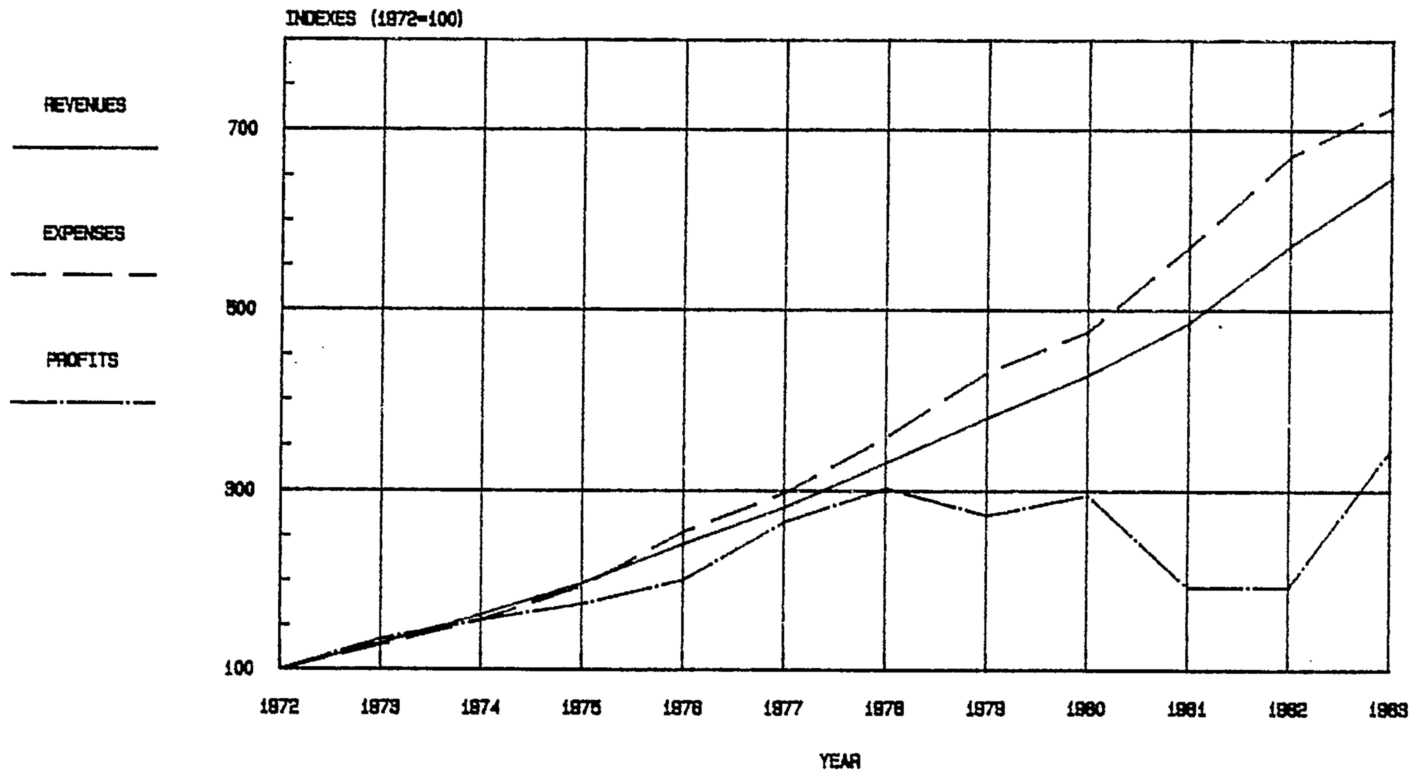
FINANCIAL CHARACTERISTICS

During the period 1972 to 1983 cable television revenue increased by 548%, from $82.5 million to $534.8 million. In 1983 cable operating expenses were $470.2 million, representing an increase of 625% since 1972. Operating expenses have increased at a moderate rate of approximately 8% from 1982 to 1983.

Profits before taxes grew steadily from 1972 to 1978. A decrease in profits was experienced in 1979 and 1981 of 6% and 32% respectively, reflecting the higher rate of increase in expenses over revenues. In 1983 cable television companies reported profits of $64.7 million, which is 79% higher than its 1982 figure.

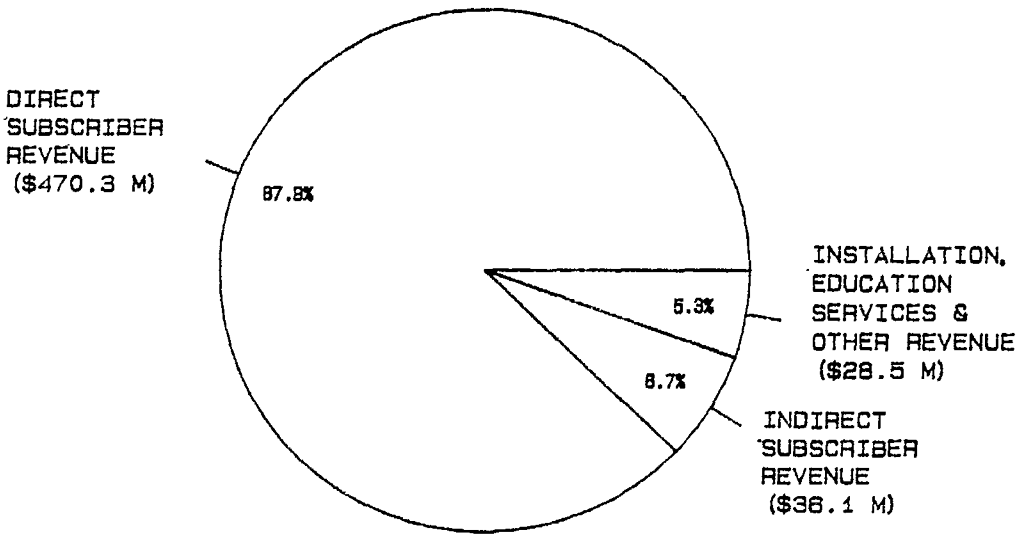
CABLE TV REVENUES, EXPENSES AND PROFITS

1983



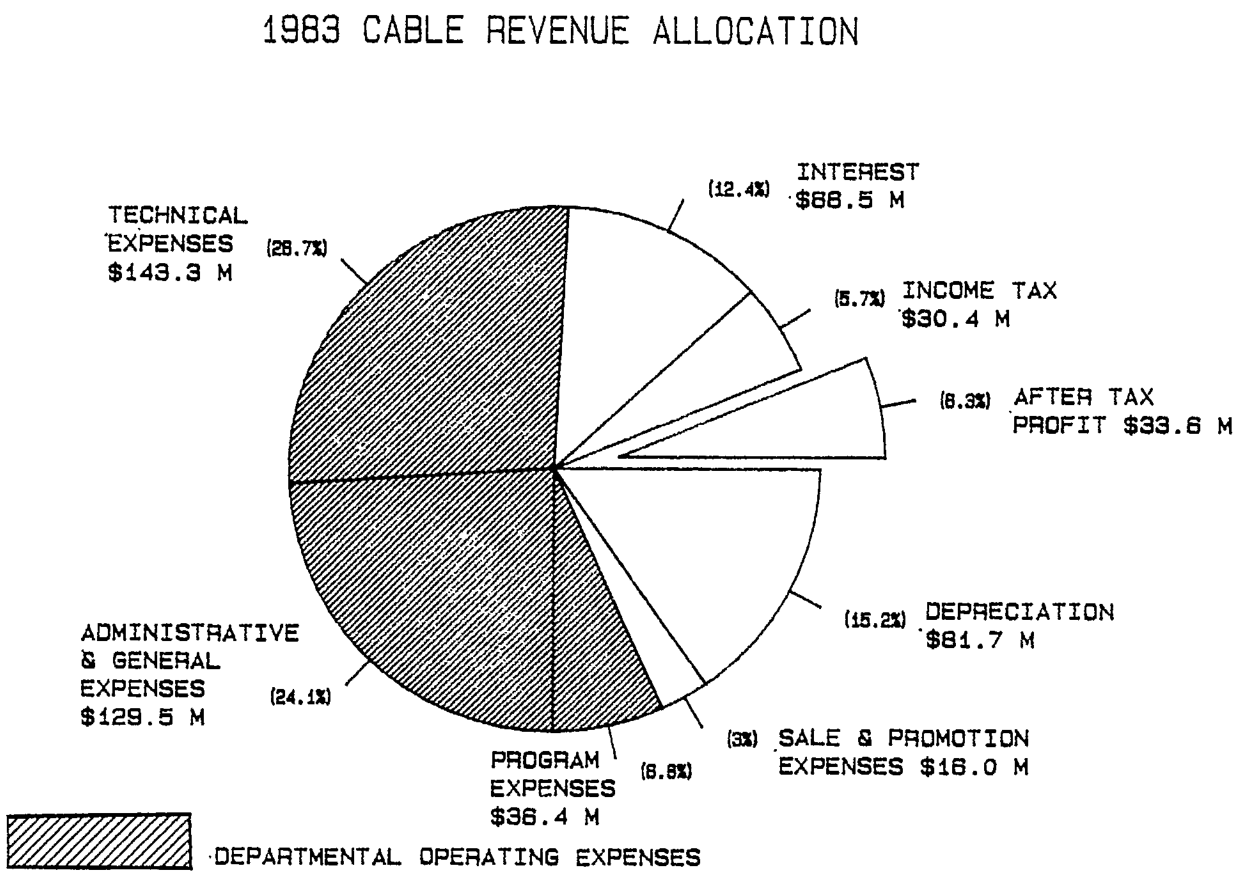
In terms of 1983 operating revenues, 87.9% were direct subscriber revenues, 5.3% were indirect subscriber revenues, and the remaining 6.8% were installation, education services and other revenues.

1983 CABLE OPERATING REVENUE



TOTAL OPERATING REVENUE, 1983 = $534,839,404

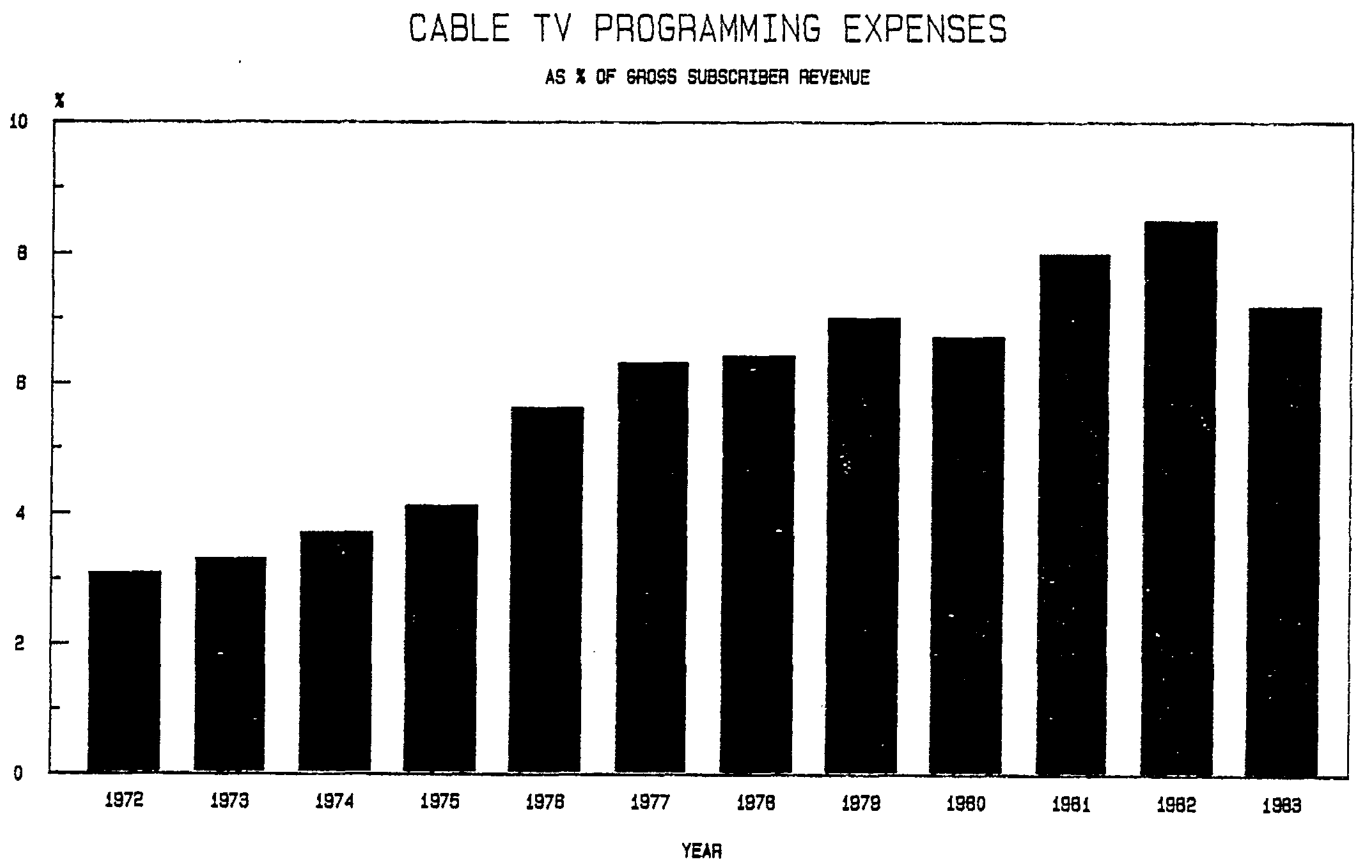
Of the total revenues collected by cable companies* in 1983, approximately 61% was allocated to departmental operating expenses, particularly to administrative and technical expenses. Profits, on the other hand, represented approximately 6% of the total revenues.



* Cable companies with more than 1,000 subscribers.

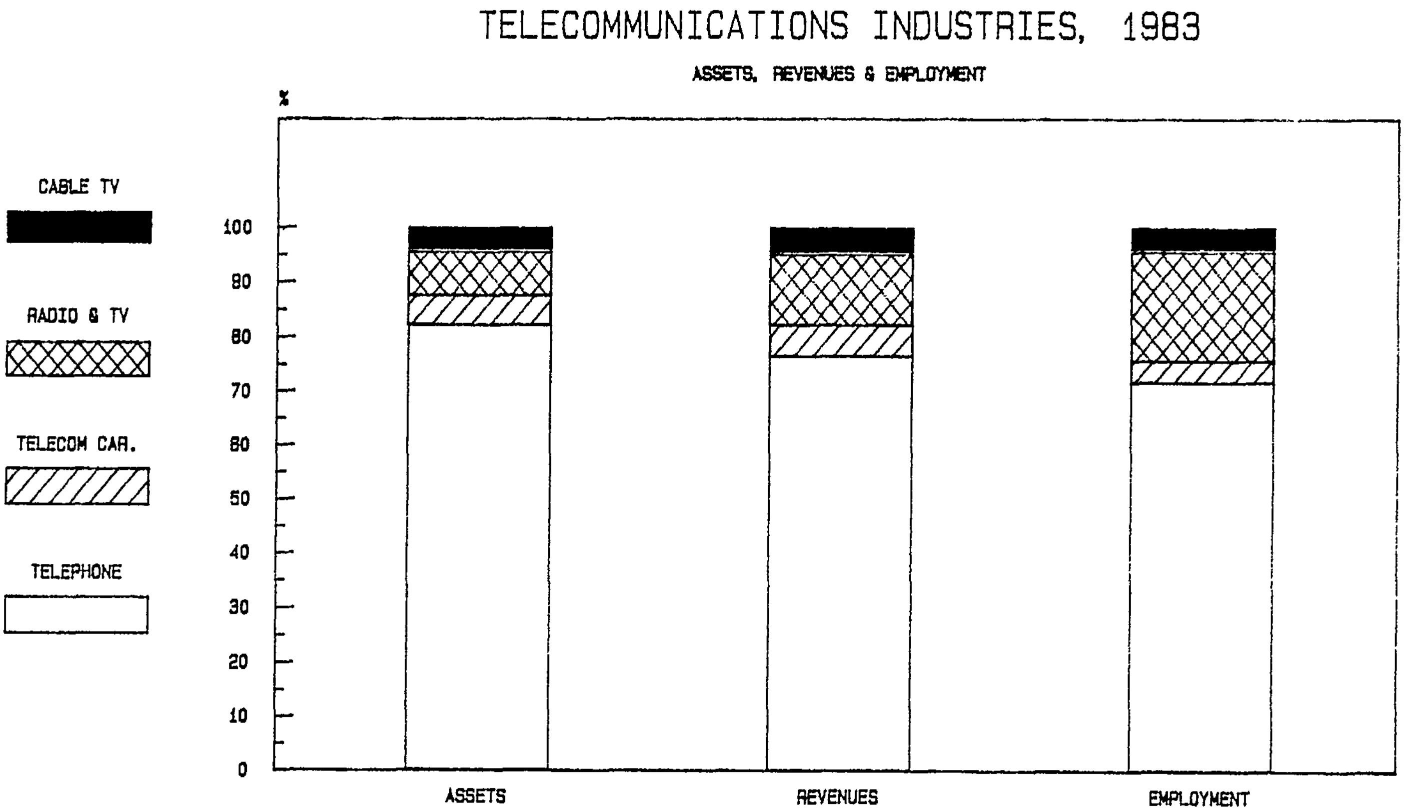
The programming expenses of cable companies have increased from $2.4 million in 1972 to $36.3 million in 1983; this represents respectively an increase from 3.1% to 7.2% of the total subscriber revenues.

The 1975 CRTC announcement containing the policies and regulations for cable television systems put a great deal of emphasis on the programming activities on the community channel. While not formally incorporating a regulation requiring that 10% of the gross subscriber revenue be committed to support of the community channel (i.e. programming activities), the Commission set this as a target and a goal for cable licensees. The chart below indicates the gradual improvement of cable licensees generally towards the realization of this goal.



COMPARISON WITH OTHER TELECOMMUNICATIONS INDUSTRIES

In comparison with other Canadian telecommunication industries, the cable television industry is relatively small. In 1983, the cable television industry's $1,074 million in assets comprised 4.3% of the total assets of the cable, broadcasting and telecommunications carriers industries. Cable television operating revenue accounted for 4.8% of the total telecommunications industry's revenues in that year. Employees of the cable television industry represented 4.4% (6,484 employees) of the total industry's employees.



The following table provides some selected comparisons with the radio, television, telephone and film industries.

1983 COMPARISONS BETWEEN INDUSTRIES

	Cable *	Private Radio	Private Television	Private Film (1982 Data)1.	Telephone
Employees	6385 (All systems - 6484)	9666	6905	1721	105,354
Assets	1,073,702,696	1,998,445,425		N/A	20,413,000,000
Operating Revenue	829,011,308	492,106,832	833,206,537	176,797,000	8,533,437,000
Profit before taxes	64,068,461	16,520,225	148,527,246	(11,887,000)+	1,485,654,000

Radio and Television data is for privately-owned licensees only; CBC data not available.

* Excludes thoses companies with systems of less than 1,000 subscribers which account for approximately 1% of the industry.

\+ Refers to operating profits only.

1. Source: Statistics Canada, "Survey of Motion Picture and Videotape Production".

In 1983, cable television provided employment for 6,484 people -- over twice the number of ten years ago. Compared with other industries, however, the number is small. As noted earlier, cable accounts for just 4.4% of the total number of employees working for cable, radio, tv, telecommunications carriers and telephone companies.

	Cable Companies	Radio-TV Companies(1)	Telecommunications Carriers	Telephone Companies(2)
1972	2,598	20,124	7,323	72,671
1973	3,098	21,162	7,047	75,407
1974	3,691	22,261	7,163	81,225
1975	4,084	23,497	7,162	82,866
1976	4,640	24,680	6,973	83,864
1977	4,946	25,651	6,863	96,268
1978	5,293	26,851	7,150	100,700
1979	5,652	27,675	7,247	104,800
1980	5,480	28,336	6,055	107,960
1981	5,802	28,792	6,118	111,648
1982	5,965	28,706	6,027	110,440
1983	6,484	28,905	5,873	105,354

(1) Includes privately-owned licensees and CBC.

(2) As of 1977, includes part-time and casual employees. Prior to 1977, included only full-time employees. All other figures included both.

APPENDICES

APPENDIX I

GROWTH OF CABLE TELEVISION IN CANADA 1972-1982

	Cable Companies		Operating Systems		Subscribers	
	Number	Index	Number	Index	Number (000's)	Index
1972	268	100	344	100	1.7	100
1973	274	102	362	105	2.1	124
1974	296	110	375	109	2.6	153
1975	305	114	388	113	2.9	171
1976	306	114	403	117	3.1	182
1977	318	119	427	124	3.4	200
1978	328	122	463	135	3.8	224
1979	341	127	482	140	4.1	241
1980	335	125	505	147	4.3	253
1981	326	122	524	152	4.7	276
1982	326	122	564	164	4.9	290
1983	337	126	651	189	5.1	300

Source: Statistics Canada, Cable Television Annual (Catalogue No. 56-205)

APPENDIX II

CABLE TELEVISION MARKET PENETRATIN 1972-1983

(PERCENTAGE OF TOTAL HOUSEHOLDS)

	Households in Canada*	Households in Licenced Area	Households Passed by Cable	Subscribers	Percentage of Subscribers to Households Passed by Cable
1972	6,124,000	3,711,649 (60.6)	3,313,147 (54.1)	1,689,335 (27.6)	51.0
1973	6,283,000	4,079,483 (64.9)	3,715,009 (59.1)	2,115,866 (33.7)	57.0
1974	6,511,000	4,365,580 (67.1)	4,044,559 (62.1)	2,560,787 (39.3)	63.3
1975	6,722,000	4,600,328 (68.4)	4,318,060 (64.2)	2,860,937 (42.6)	66.3
1976	6,937,000	4,985,304 (71.9)	4,706,402 (67.8)	3,143,315 (45.3)	66.8
1977	7,042,000	5,303,781 (75.3)	5,051,360 (71.7)	3,417,223 (48.5)	67.7
1978	7,341,000	5,866,366 (79.9)	5,535,559 (75.4)	3,775,633 (51.4)	68.2
1979	7,579,000	6,210,917 (82.0)	5,942,494 (78.4)	4,084,198 (53.9)	68.7
1980	7,829,000	6,378,325 (81.5)	6,110,762 (78.1)	4,339,268 (55.4)	70.8
1981	8,086,000	6,651,170 (82.3)	6,323,618 (78.2)	4,700,643 (58.1)	74.3
1982	8,278,000	6,895,445 (83.3)	6,604,790 (79.8)	4,933,589 (59.6)	74.7
1983	8,683,000	7,109,386 (81.9)	6,848,196 (78.9)	5,140,262 (59.2)	75.1

Source: Statistics Canada, Cable Television Annual (Catalogue 56-205)

* Number of households in Canada include estimates of households in Yukon and Northwest Territories.

APPENDIX III

CABLE TELEVISION MARKET PENETRATION IN CANADA AND THE PROVINCES 1983

	CANADA	NFLD	PEI	NS*	NB	QUE	ONT*	MAN	SASK	ALTA*	BC	YUKON & NWT
Households (000's)												
Total	8,683	156	39	284	224	2,273	3,096	369	347	813	1,055	25
In Licenced Areas	7,109	78	17	179	129	1,869	2,568	291	211	768	1,000	9
Passed by Cable	6,848	70	17	174	123	1,753	2,496	286	195	760	974	8
Subscribers	5,140	50	15	145	102	1,029	2,024	237	130	546	855	8
Percentage of Total Households												
In Licenced Areas	82.1	50.0	43.4	63.0	57.6	82.2	82.8	78.9	60.8	94.6	94.9	37.8
Passed by Cable	79.1	44.9	42.1	61.3	54.9	69.2	80.6	77.5	56.2	93.6	92.4	33.9
Subscribers	59.4	32.1	38.5	51.1	45.5	45.3	65.4	64.2	37.5	67.2	81.0	32.4
Percentage of Subscribers to Households Passed by Cable	75.1	70.6	90.5	82.6	82.9	58.7	81.2	82.7	66.5	71.7	87.7	95.5
Number of Operating Systems	651	17	2	25	30	186	142	40	40	60	104	6

Source: Canada figures - Statistics Canada, Cable Television Annual (Catalogue 56-205)
Provincial figures - Cable Television Database, Broadcasting Policy Division (DBP)
* Due to missing data in our 1983 Cable Television Database, the provincial figures for these provinces are estimations.

APPENDIX IV

SOME QUICK FACTS ABOUT THE CABLE TELEVISION INDUSTRY 1983

Number of Cable TV Business Organizations	346
Number of Operating Systems	651
Number of Industry Employees	6,484
Number of Subscribers	5,140,262
Kilometers of Trunk and Distribution Cable	97,944.1
Total Assets*	$1,073,702,696
Total Operating Revenue	$ 534,839,404
Total Operating Expenses	$ 470,167,653
Profit before Income Taxes	$ 64,671,751
Provision for Income Taxes*	$ 30,421,737
Net Profit after Taxes*	$ 33,646,724

* These financial indicators are commonly used to represent industry totals although data for systems with less than 1,000 subscribers is not available for these items. The small systems account for approximately 1% of the industry.

APPENDIX V

SELECTED FINANCIAL INDICATORS FOR THE CANADIAN CABLE TELEVISION INDUSTRY 1972-83*

	Total Assets ($millions)	Operating Revenue ($millions)	Departmental Expenses (1) ($millions)	Net Profit Before Tax ($millions)	Profit Before Tax as Percent of Assets
			In Actual Dollars		
1972	182.4	79.7	40.4	16.9	9.3
1973	225.7	104.0	52.4	22.5	10.0
1974	266.5	130.3	64.4	28.0	10.5
1975	315.4	158.8	83.4	31.0	9.8
1976	384.1	194.8	105.3	35.4	9.2
1977	431.8	229.6	124.5	45.0	10.4
1978	480.4	269.8	150.4	52.5	10.9
1979	537.2	310.4	181.0	49.4	9.2
1980	673.6	348.6	200.0	53.1	7.9
1981	767.2	401.1	242.7	36.1	4.7
1982	989.4	467.7	285.6	35.8	3.6
1983	1,073.7	529.0	321.2	64.1	6.0
			In Constant Dollars(2)		
1972		75.9	38.5	16.1	
1973		90.8	45.7	19.6	
1974		98.6	48.8	21.2	
1975		108.5	57.0	21.2	
1976		121.5	65.7	22.1	
1977		133.3	72.3	26.1	
1978		146.8	81.8	28.6	
1979		153.1	89.3	24.4	
1980		154.8	88.8	23.6	
1981		161.0	97.4	14.5	
1982		170.6	104.2	13.1	
1983		182.5	110.8	22.1	

* Excludes those companies with systems of less than 1,000 subscribers which account for approximately 1% of the industry.

(1) Includes program, technical, sales & promotion and administrative & general expenses.

(2) 1971 = 100

Source: Statistics Canada, Cable Television Annual (Catalogue 56-205)

APPENDIX VI

RETURN ON INVESTMENT

Return on investment is of interest because it has bearing on the ability of an industry or firm to attract investment capital and because it is an indication of its long run economic efficiency. It is an imperfect indicator at best, however, since it ignores considerations such as relative risk of industries and their capital intensity. The notional comparison to make is with the return available in other areas, i.e., the current general interest rate.

Year	Return on Investment*
1972	11.4
1973	11.4
1974	12.1
1975	11.9
1976	12.3
1977	14.1
1978	14.7
1979	13.2
1980	12.6
1981	12.9
1982	13.0
1983	12.2

The return on investment measure chosen here is the ratio of profits after provision for income taxes have been deducted but without interest expenses deducted, to total engaged assets. The latter includes long-term debt and is calculated by subtracting current liabilities from total assets as reported by Statistics Canada. Interest expense is not subtracted in calculating profit because it is dependent on the debt structure chosen by the industry and does not reflect economic efficiency, but rather business choice. (This measure is a matter of choice, however. Other ROI measures might, equally defensibly, make allowance for interest expense.) Provision is made for taxes since these are foreseeable expenses that affect a firm's allocation of resources.

* Excludes those companies with systems of less than 1,000 subscribers which account for approximately 1% of the industry.