

INDUSTRY REPORT

# Wired Telecommunications Carriers in Canada

**Apr 2023**



# About

## IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions.

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# About

A quick definition of the industry, its products and services, major companies and other key identifiers help you confirm you're in the right place.

# 1. About

<https://my.ibisworld.com//ca/en/industry/51711cCA/about>

NAICS 2007 - Canada	51711
NAICS 2012 - Canada	51711
NAICS 2017 - Canada	517310
NAICS 2022 - Canada	517310

## Definition

The Wired Telecommunications Carriers industry in Canada provides local and long-distance telephony services. Operators also generate revenue by wholesaling access to their networks for many purposes.

## What's Included

- Providing local voice communication services
- Providing long-distance and international voice communication services
- Wholesaling network access
- Selling telecommunications equipment

## What's Not Included

- Data
- Subscriber revenue
- Sales of national air time
- Fixed long distance
- Carrier services
- Internet access services
- Private network services
- Mobile services
- Fixed local
- Terminal equipment
- Basic voice services
- Other
- Sales of local air time
- Roaming and other

- Long distance

## Companies

- BCE Inc.
- BCE Inc.
- Rogers Communications Inc.
- Rogers Communications Inc.
- Shaw Communications Inc.
- TELUS Communications Company
- Saskatchewan Telecommunications Holding Corporation

## Related Industries

### Industries in the Same Sector

- **Competitors:**
  - Wireless Telecommunications Carriers in Canada
- **Complementors:**
  - Cable Networks in Canada

### International Industries

- Wired Telecommunications Carriers in the US
- VoIP in the US
- Dark Fiber Network Operators in the US
- Wired Telecommunications Network Operation in Australia
- Wired Telecommunications Network Operation in New Zealand
- Wired Telecommunications Carriers in the UK
- Wired Telecommunications Carriers in Ireland
- Wired Telecommunications in China



# Performance

Track historical, current and forward-looking trends in revenue, profit and other performance indicators that make or break an industry.

## 2. Performance

<https://my.ibisworld.com//ca/en/industry/51711cCA/performance>

### Highlights

Revenue

**\$4.4bn**

2018-23 CAGR ↓ 7.8 %

2023-28 CAGR ↓ 8.5 %

Employees

**6,683**

2018-23 CAGR ↓ 11.0 %

2023-28 CAGR ↓ 8.5 %

Businesses

**31**

2018-23 CAGR ↓ 4.0 %

2023-28 CAGR ↓ 7.5 %

Profit

**\$239.7m**

2018-23 CAGR ↓ 10.0 %

Profit Margin

**5.4%**

2018-23 CAGR ↓ 0.7 pp

### Key Takeaways

- **Wireless and VoIP technologies are replacing conventional voice services used by wired telecommunications carriers.**
- **Larger telecommunications companies will continue to spin off significant portions of their landline divisions to concentrate more on their broadband internet or wireless products.**



## Executive Summary

Rapid technological advancements have changed the way humans interact, pushing wired telecommunication services to the sidelines of communication. External competition from wireless telecommunication services and Voice over Internet Protocol (VoIP) software have lessened demand for local and long-distance telephony services. In recent years, many households have reduced expenses by cutting landline phone service. Industry revenue has been falling at a CAGR of 7.8% over the past five years, and is expected to reach \$4.4 billion through the end of 2023. This includes a decline of 5.1% in 2023 alone.

Although households with high incomes initially purchased both wireless and wireline services, the number of wireless-only households has grown. According to the latest Canadian Radio-television and Telecommunications Commission Communications Monitoring Report, landline calling minutes now account for just 6.5% of all calls across Canada. Additionally, companies that offer VoIP have competed for household telecommunication expenditures, ultimately hurting revenue and profit, since this service is less expensive. Since calls using the internet do not have long-distance surcharges, revenue from long-distance telephony services has suffered the most. Due to the high sunk costs from existing wired infrastructure, companies are incentivized to keep customers by offering substantial discounts via bundling of telecommunication services to maintain profitability.

Telecommunications companies will continue to integrate systems to make up for losses from telephony. By investing in broadband fibre-optic deployment, companies will be able to use centralized infrastructure to provide voice, data and video services. Wired telecommunications providers will focus on keeping their existing customers with promotions and bundling options to limit further losses. As wired telecommunications companies spread their fixed costs across a declining number of subscribers and compete with less-costly substitute services, revenue and profit will continue to decline. Industry revenue is expected to fall at a CAGR of 8.5% to an estimated \$2.8 billion through the end of 2028.

# Performance Snapshot

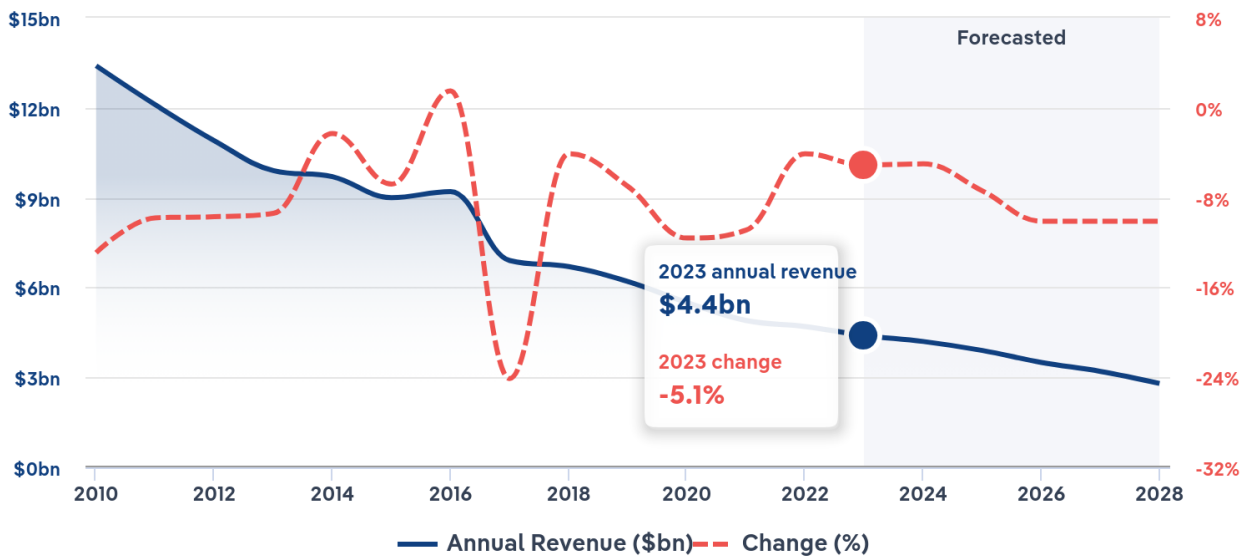
↓ 2018-23 Revenue CAGR -7.8%

## Revenue:

<p>Revenue</p> <p><b>\$4.4bn</b></p> <p>'18-'23 ↓ 7.8 %</p> <p>'23-'28 ↓ 8.5 %</p>	<p>2023 Revenue CAGR</p> <p>↓ 5.1 %</p>	<p>Revenue Volatility</p> <p>Moderate</p>
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## Revenue

Total value (\$) and annual change from 2010 – 2028. Includes 5-year outlook.

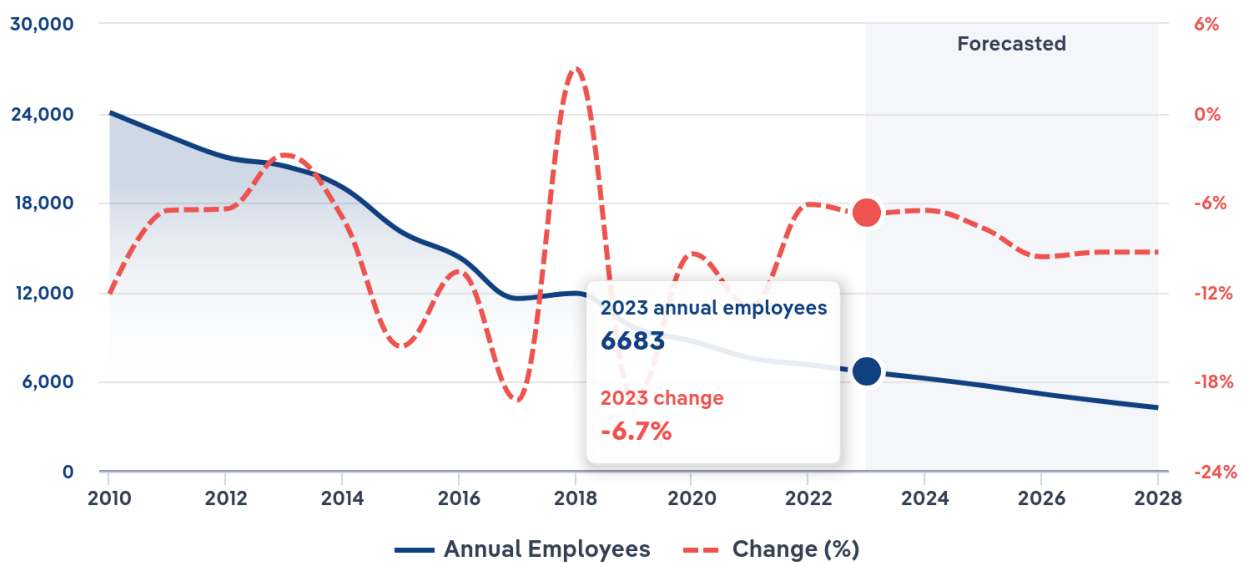


Employees:

<p>Employees</p> <p><b>6,683</b></p> <p>'18-'23 ↓ 11.0 %</p> <p>'23-'28 ↓ 8.5 %</p>	<p>Employees per Business</p> <p><b>216</b></p> <p>'18-'23 ↓ 7.3 %</p> <p>'23-'28 ↓ 1.1 %</p>	<p>Revenue per Employee</p> <p><b>\$664k</b></p> <p>'18-'23 ↑ 3.6 %</p> <p>'23-'28 ↓ 0.0 %</p>
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Employees

Total number of employees and annual change from 2010 – 2028. Includes 5-year outlook.



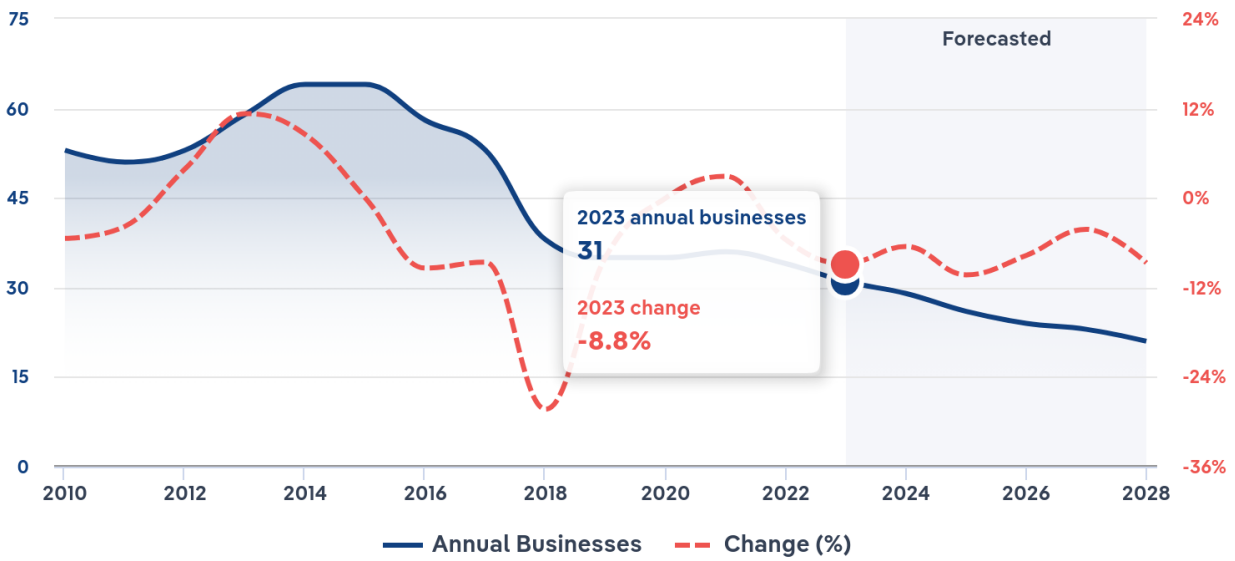
Source: IBISWorld

Businesses:

<p>Businesses</p> <p><b>31</b></p> <p>'18-'23 ↓ 4.0 %</p> <p>'23-'28 ↓ 7.5 %</p>	<p>Employees per Business</p> <p><b>216</b></p> <p>'18-'23 ↓ 7.3 %</p> <p>'23-'28 ↓ 1.1 %</p>	<p>Revenue per Business</p> <p><b>\$143.2m</b></p> <p>'18-'23 ↓ 4.0 %</p> <p>'23-'28 ↓ 1.1 %</p>
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Businesses

Total number of businesses and annual change from 2010 – 2028. Includes 5-year outlook.



Source: IBISWorld

Profit:

Total Profit <b>\$239.7m</b> '18-'23 ↓ 10.0 %	Profit Margin <b>5.4%</b> '18-'23 ↓ 0.7 pp	Profit per Business <b>\$7.7m</b> '18-'23 ↓ 6.3 %
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### Profit Margin

Total profit margin (%) and annual change from 2010 – 2023



Source: IBISWorld

## Performance Snapshot

### What's driving current industry performance?

#### The vast majority of society goes wireless

- An increasing number of Canadian households are abandoning traditional telephone and TV services. Since 2013, more Canadian households subscribe exclusively to mobile wireless services than to wireline telephone services.
- According to the Canadian Radio-television and Telecommunications Commission's (CRTC) 2020 Communications Monitoring Report (latest data available), residential landlines have fallen from being in 79.1% of households in 2013 to 63.0% of households in 2017. According to 2022 figures from the CRTC, less than 7.0% of all telephone calls take place on a landline.
- Businesses have also turned away from wired telecommunications in favour of wireless telephony. Telecommunications companies, which typically offer both wired and wireless services, have turned to bundling as a means to keep consumers using their landlines by offering lower rates for a combination of services.

#### The COVID-19 pandemic accelerates the shift toward substitutes

- To stay connected during the COVID-19 pandemic, consumers and businesses invested in telecommunication services. They also used this opportunity to upgrade to product offerings from rival industries to meet the increased bandwidth requirements.
- With many offices closing to adhere to quarantine protocols, the number of businesses using wired telecommunications fell significantly. This trend poses a significant threat to wired telecommunications carriers since businesses traditionally have lower churn rates than individuals.
- Revenue fell about 11.0% in both 2020 and 2021.

#### Downstream competition continues to grow

- Voice over Internet Protocol (VoIP), videoconferencing and wireless phone services continue to grow in popularity among consumers and businesses.
- To stay competitive, wired carriers are investing in high-speed fibre-optic networks because most businesses are shifting more of their revenue from voice services to data transfer.
- Although VoIP technology is not required to carry voice-over fibre-optic networks, telecom providers are choosing to do so to benefit from the technology's lower costs and lax regulatory environment.

# Volatility

## What influences industry volatility?

### There is growing competition from substitutes due to technology

- Demand for alternate communication platforms like wireless, cable and Voice over Internet Protocol (VoIP) has continuously expanded with the development of new technology.
- These technologies provide consumers with more features, like video calling, which has aided in the switch to wireless, cable and VoIP platforms.

### Demand for wired telecommunications continues to fall

- Revenue has plummeted in recent years due to the nature of the move away from wired services.
- Many consumers have kept their landlines simply because they have been bundled with other services, such as Internet and cable. In these instances, the landline is essentially included for free.

### Low & slow

Industry volatility vs. revenue growth (2018-23 CAGR)



 Key Success Factor

## How do successful businesses overcome volatility?

### **Ability to allocate service to area of greatest need**

The ability to effectively determine areas most in need of enhanced infrastructure investment, such as last-mile fibre optic, is important for the future viability of wired telecommunications providers.



## Outlook

### What's driving the industry outlook?

#### **Wired telecommunications are on the brink of extinction**

- As companies focus on their internet business segments, Voice over Internet Protocol (VoIP) residential lines, like the service provided by Videotron Ltd., will become the more common technology for residential landlines.
- VoIP services are often easily bundled with internet services, which can provide convenience and money savings.
- Meanwhile, the average price of wireless services has rapidly declined. As consumers consider the cost of landline telephony and the shrinking cost of wireless services, the wireless substitution trend will accelerate.
- Network infrastructure has high sunk costs so wired telecommunications providers will try to keep customers for as long as possible.

#### **The bundling of services will likely prevent a total collapse**

- Due to the high fixed costs of operating a wired telephone network, telecommunications companies have tried to maintain a consumer base for landlines.
- Bundling has been a way to keep landlines active while also giving consumers the services they really want, like wireless telephone services or mobile data plans.
- While bundling preserves the existence of landline telephones, it is not an accurate representation of actual demand for wired telecommunications. Companies offering bundles that include a landline essentially offer the landline for free, if consumers sign up for a specified bundle of other services. Thus, wired telecommunication services generate a negligible amount of revenue on their own.
- Older demographics use landlines more frequently than younger generations. This demographic will prevent a total collapse of this industry as the consumers are less likely to switch to wireless services.

#### **Fibre provides a chance for survival**

- Wired telecommunications carriers will likely struggle going forward. Low-bandwidth copper wire is no longer practical due to the exponential growth of data traffic.
- The introduction of fibre networks signals a logical departure from traditional wired telecommunications and offers an opportunity to benefit from more recent technologies.
- The next-largest service provided is carrier services; advancements in technology are anticipated to assist in improving these services.

## Life Cycle

### Why is the industry declining?

#### **Contribution to GDP**

Wired telecommunications' contribution to Canadian GDP has declined as landline phones have become increasingly irrelevant. Wired telecommunications contribution to the economy will decline as Canadian GDP rises.

#### **Market Saturation**

Since more effective forms of communication have replaced conventional ones, demand for wired telephony has declined. There is very little market saturation.

#### **Innovation**

As wireless companies have expanded their coverage regions and reliability, traditional wired voice services are being increasingly replaced by wireless telephony. Voice over Internet Protocol (VoIP) technology has evolved as a substitute for conventional wired telecommunications.

#### **Consolidation**

Large carriers have integrated services to maintain economies of scale as access lines continue to dwindle. Many small companies have left the market in response.

#### **Technology and Systems**

The advancement of technology has been focused on making transporting this data easier and more efficient. The purpose of investments in high-bandwidth fibre-optic networks is to increase internet reliability and speed, not voice quality.

# Products and Markets

Find out what the industry offers,  
where trade is most concentrated and  
which markets are buying and why.

## 3. Products and Markets

<https://my.ibisworld.com//ca/en/industry/51711cCA/products-and-markets>

### Highlights

Largest Market

**\$3.5bn**

Local voice services

Product Innovation

↓ Low

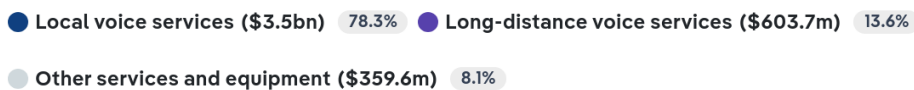
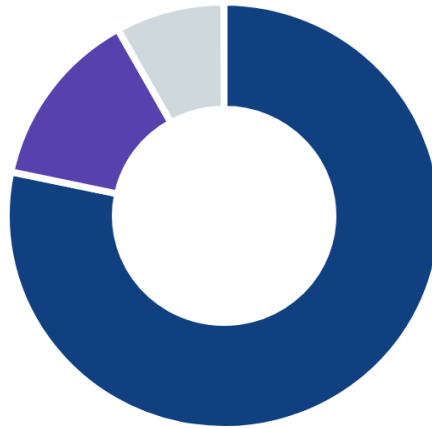
### Key Takeaways

- **Wired carriers' main source of income is local telephony services.** Long distance calls are another important contribution to revenue.
- **Households are the largest market for wired telecommunications carriers.** Carriers also generate revenue from business and wholesale activity.

## Products and Services

### Products & Services Segmentation

Industry revenue in 2023 broken down by key product and service lines.



### How are the industry's products and services performing?

#### Local calls fuel demand for wired telecommunications services

- Local telephony accounts for about 80.0% of revenue, a figure that has grown in recent years.
- Landline providers also offer value-added services to consumers, like call waiting, caller ID and voicemail.
- Demand for traditional local voice services will continue to deteriorate as an increasing number of households migrate entirely to wireless services.

#### The COVID-19 pandemic increases long-distance calls

- Quarantine measures resulted in friends and family not having physical access to each other for extended periods of time. Many responded by increasingly talking over the phone, sometimes from long distances.

- Also, as information has become digitized and the routing of information has become automated, long-distance costs have decreased.
- Voice over Internet Protocol technology holds a particular advantage over traditional long-distance voice services, as calls using the internet do not cost more if they are long distance.

**Other services and equipment provide steady revenue**

- Many telecommunications providers derive their sales from selling and renting connectivity equipment.
- This provides a stable revenue stream by selling or renting equipment. Other services include leasing and selling network connectivity to wholesalers and offering private lines, among others.

 Key Success Factor

## What products or services do successful businesses offer?

### **Provide a related range of goods/services**

Wired telecommunications carriers must offer a variety of services to retain customers. Providers are bundling traditional voice services with internet access, wireless and TV services to combat the decline of the traditional voice market.

### **Ability to quickly adopt new technology**

The need to adopt new technologies within existing and planned infrastructures is essential in keeping up with the increasing data demands placed on telecommunication networks.

## What are innovations in industry products and services?

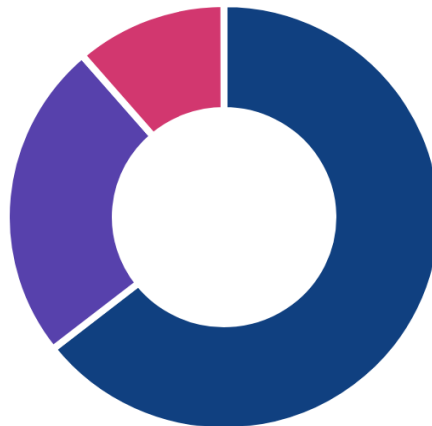
### **Fibre-optic cables**

- With the widespread replacement of conventional copper wire with fibre-optic connections, this element of technology has undergone a major transformation.
- The fibre-optic cable transmits light rather than electronic messages, which eliminates the issue of electrical interference and allows for the transfer of communications across much greater distances and at much faster rates.

## Major Markets

### Major Market Segmentation

Industry revenue in 2023 broken down by key markets



● Residential market (\$2.9bn) 64.4% ● Businesses (\$1.1bn) 24.3% ● Wholesalers (\$501.6m) 11.3%

IBISWorld

Source: IBISWorld

### What's influencing demand from the industry's markets?

#### Residential consumers lead the wireless shift

- The residential market is expected to account for about 65.0% of revenue in 2023.
- Residential consumers continue to get rid of their landlines in favour of wireless telephony and Voice over Internet Protocol technology.
- Consumers often have relatively low switching costs, with contracts typically being the largest deterrent to making a change.
- Many consumers have realized cost savings by eliminating their landlines, choosing to rely on their cellphones to make calls at home and on the go.

#### Businesses have been slower to shutter their landlines

- Businesses typically have higher costs associated with making a shift away from one technology and toward another.



- Some businesses may rely on a landline if they are unable to get their number transferred to a wireless service. Many loyal customers may know them by a particular phone number, making a transition potentially costly.
- Still, many businesses have transitioned from wired telephony to wireless telephony services to increase convenience and keep workers engaged after work hours.

**Wholesale remains important to performance**

- Wireline connectivity is primarily based on existing infrastructure that has been laid out by large companies or the government.
- Accordingly, many telecommunications providers cannot afford to lay out new cable infrastructure, relying on the existing network to operate in their regional markets.
- Revenue from this market segment has remained relatively steady in recent years, declining alongside the overall industry.

# Geographic Breakdown

Discover where business activity is most concentrated in this industry and what's driving these trends.

## 4. Geographic Breakdown

<https://my.ibisworld.com//ca/en/industry/51711cCA/geographic-breakdown>

### Key Takeaways

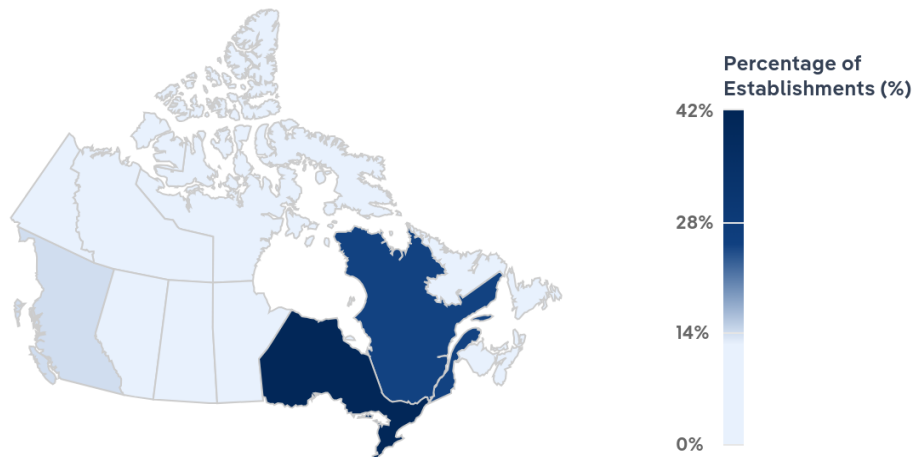
- **The spread of establishments follows the dispersal of the population.**

## Business Locations

### Business Concentration

Percentage of total industry establishments in each region

Establishments Revenue Employment Wages



Source: IBISWorld

CMA	Establishments Units	Establishments %	Revenue \$	Revenue %	Wages \$	Wages %	Employment Units	Employment %
Ontario	126	41.0	1,832,175,872.0	41.3	349,635,264.0	63.6	2,741	41.0
Quebec	77	25.1	1,114,400,896.0	25.1	134,226,544.0	24.4	1,670	25.0
British Columbia	43	14.0	613,048,512.0	13.8	37,415,368.0	6.8	919	13.8
Alberta	32	10.4	455,624,256.0	10.3	21,868,460.0	4.0	682	10.2
Manitoba	9	2.9	126,313,656.0	2.8	2,619,453.0	0.5	200	3.0
Yukon	9	2.9	88,973,256.0	2.0	374,143.3	0.1	139	2.1
Nova Scotia	5	1.6	52,130,700.0	1.2	1,395,772.9	0.3	79	1.2
Saskatchewan	6	2.0	62,442,448.0	1.4	1,332,280.3	0.2	113	1.7
Prince Edward Island	3	1.0	28,326,184.0	0.6	136,076.7	0.0	54	0.8

Edward Island								
Newfoundlan d and Labrador	3	1.0	27,283,378.0	0.6	205,553.2	0.0	42	0.6
New Brunswick	2	0.7	17,516,514.0	0.4	266,192.4	0.0	27	0.4
Nunavut	2	0.7	12,561,089.0	0.3	8,776.1	0.0	14	0.2
Northwest Territories	2	0.7	8,303,235.0	0.2	16,113.4	0.0	14	0.2

## Where are industry businesses located?

### Establishment figures largely mirror the Canadian population

- Since landline phones are typically connected at a person's home or office, the spread of establishments is nearly identical to the spread of the overall population.
- Ontario has the largest share of wired telecommunications establishments, followed by Quebec, British Columbia and Alberta. All other provinces account for less than 5.0% of establishments.

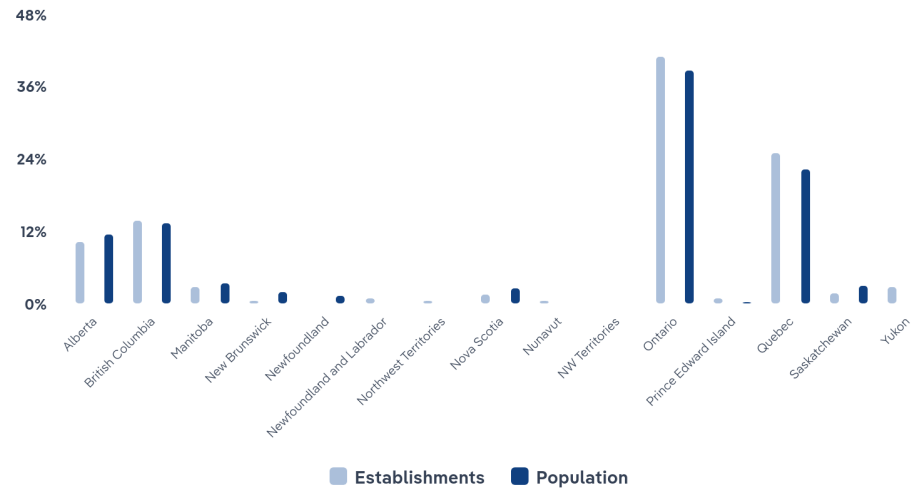
### The decline in establishments is less prominent in rural areas

- Rural consumers and businesses have been slower to shift to wireless telecommunications. In fact, provinces like Prince Edward Island and Manitoba have grown as a share of establishments in recent years.
- In some rural areas cellphone and internet connections can be very poor, since there isn't sufficient infrastructure to support those services. This has slowed the adoption of new technologies in some rural areas.

Wired Telecommunications Carriers in Canada

## Yukon has the largest spread of businesses compared to its population

Share of establishments (%) vs. share of population (%):



Source: IBISWorld

# Competitive Forces

Uncover challenges and benefits in the operating environment, digging into market share, buyer and supplier power and key success factors for operators.

# 5. Competitive Forces

<https://my.ibisworld.com//ca/en/industry/51711cCA/competitive-forces>

## Highlights

### Concentration

Low

### Competition

↓ High ↓ Increasing

### Barriers to Entry

↑ High Steady

### Substitutes

↓ High ↓ Increasing

### Buyer Power

↓ High ↓ Increasing

### Supplier Power

Moderate ↑ Decreasing

## Key Takeaways

- **Wireless and VoIP technology are slashing demand for access lines and conventional voice services used by wired telecommunications providers.**
- **Larger carriers will continue to spin off their landline divisions to concentrate on broadband internet or wireless products.**

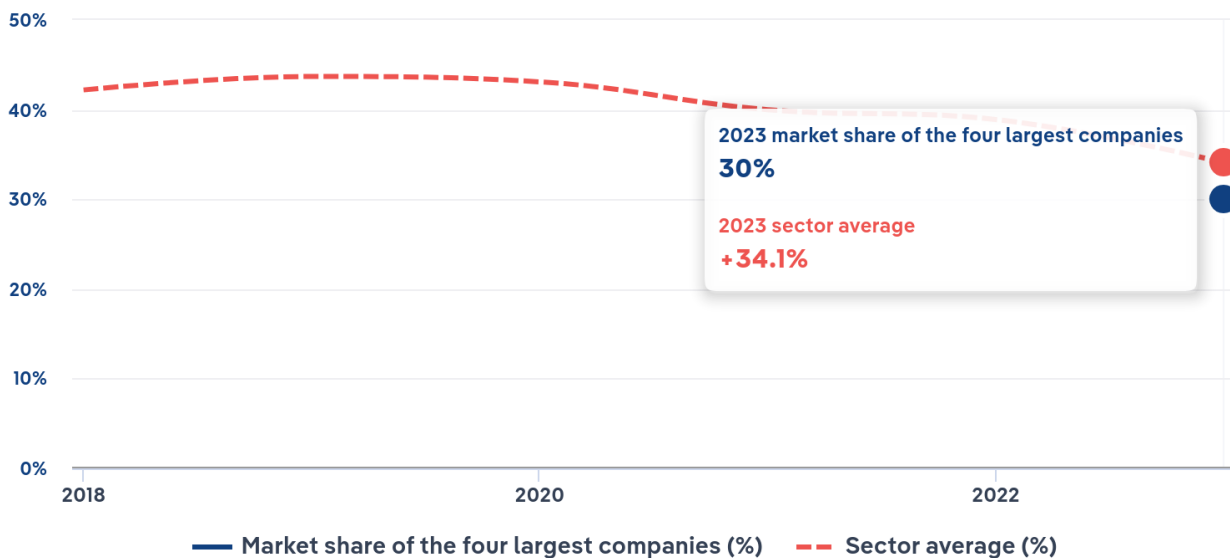


## Concentration

Low

### Market Share Concentration

Combined market share of the four largest companies in this industry



IBISWorld

Source: IBISWorld

## What impacts the industry's market share concentration?

### Start-up costs limit competition

- Smaller carriers typically cannot enter the market due to the significant initial expenditure needed to build a communications network.
- Small companies are often reliant on paying to use the infrastructure of the largest telecommunications companies. This makes it very difficult to catch up to a large company in this industry.

### Service bundling has clouded the picture

- As wired telecommunications have become less popular, many telecommunications companies have turned to bundling services to prevent a total shift away from landlines.
- This has made it difficult to assess the true level of demand for wired telecommunications. Bundling has also clouded the picture regarding how much revenue wired telecommunications services have generated in recent years. For this reason, it is difficult to understand the actual amount of revenue

each company has generated from wireline services in recent years.

## Barriers to Entry

High

Steady

### What challenges do potential industry entrants face?

#### Legal

- Canada's government departments and agencies regulate the industry, including the Canadian Radio-television and Telecommunications Commission; Innovation, Science and Economic Development Canada; and the Competition Bureau. These agencies regulate wired telecommunications carriers in matters like spectrum auctions, approval of acquisitions, foreign ownership and broadcasting.

#### Start-Up Costs

- A new participant must construct, create and manage an access network, which requires a significant investment of resources.

#### Differentiation

- Differentiation of services is very limited. In general, customers cannot discern the difference between a landline call from one provider versus a competing landline provider. Price is often the best means of differentiation among competitors.

#### Capital Intensity

- Capital costs are significant among wired telecommunication carriers. Carriers must either build an entire network, which requires extensive infrastructure. However, smaller carriers are also able to pay larger companies for the rights to use their infrastructure, which they can then leverage as their own.

## Substitutes

High

Increasing

### What are substitutes for industry services?

#### Wireless services

- The main threat to wired telecom services comes from wireless services. Most significantly, the continued adoption of 5G cellular network technology is anticipated to put wired carriers under more pressure from the competition.
- These 5G networks will increase wireless telecommunications network speed and decrease network latency, giving wireless telecommunications services a more competitive alternative.

#### Voice over Internet Protocol

- Voice over Internet Protocol (VoIP) services. VoIP is very nearly a complete replacement for wired services. VoIP mostly competes based on cost.
- VoIP provides lower costs and a lax regulatory environment, which is attractive to some consumers and businesses.

# Buyer & Supplier Power

## Supply Chain

Direct and indirect supplier and buyer industries related to this industry



Source: IBISWorld

## What power do buyers and suppliers have over the industry?

### Buyers: switching products

High      Increasing

- Many traditional wired telecom services have been rendered obsolete by new technology, which has encouraged telecommunications companies to concentrate their efforts on the burgeoning mobile and internet service provider industries.
- Consumers are moving toward wireless internet-based devices and broadband technologies that are now forcing carriers to switch their overall tactics

### Suppliers: the cost of new technologies is rising

Moderate      Decreasing

- The development of wireless technologies is ongoing. Suppliers may demand high prices when new products are released since there is still a limited supply.

- Fibre optics have essentially taken the place of copper wires as the foundation of fixed telecommunications networks.

# Companies

Find out which companies hold the most market share and how revenue, profit and market share have shifted over time for these leaders.

# 6. Companies

<https://my.ibisworld.com//ca/en/industry/51711cCA/companies>

## Key Takeaways

- **Carriers continue to shift away from wired telecommunications services, choosing instead to invest in improved wireless and Internet services.**
- **Wired telecommunications revenue is becoming harder to assess as many companies have continually regrouped different segments together into a single segment.** This has also led to a slide in market share concentration.

## Market Share

### Industry Market Share by Company

Industry-specific company revenue as a share of total industry revenue





Chart displays current year only in the PDF version of this report. You can view and download chart for all other years associated with this industry on [my.ibisworld.com](https://my.ibisworld.com).

## Companies

Company	Market Share (%) 2023	Revenue (\$m) 2023	Profit (\$m) 2023	Profit Margin (%) 2023
BCE Inc.	5.0	222.0	0.0	0.0
BCE Inc.	5.0	222.0	0.0	0.0
Rogers Communications Inc.	5.0	222.0	0.0	0.0
Rogers Communications Inc.	5.0	222.0	0.0	0.0
Shaw Communications Inc.	5.0	222.0	0.0	0.0
TELUS Communications Company	5.0	222.0	0.0	0.0
Saskatchewan Telecommunications Holding Corporation	3.1	137.6	0.0	0.0

You can view and download company details on [my.ibisworld.com](https://my.ibisworld.com).

# External Environment

Understand the demographic, economic and regulatory factors positively and negatively affecting the industry.

# 7. External Environment

<https://my.ibisworld.com//ca/en/industry/51711cCA/external-environment>

## Highlights

### Regulation & Policy

Moderate Steady

### Assistance

↓ Low ↓ Decreasing

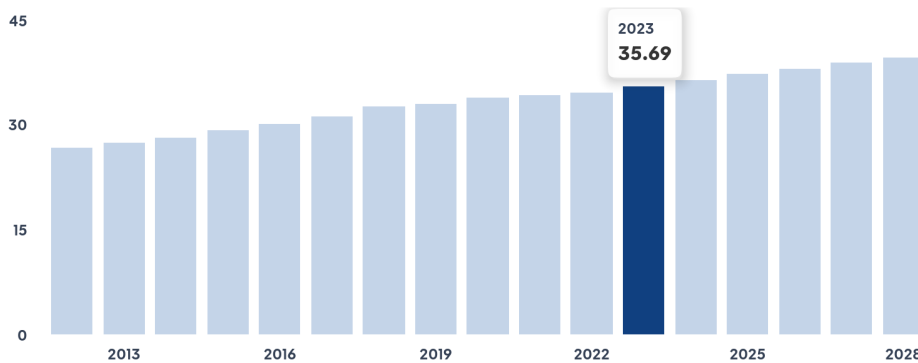
## Key Takeaways

- **There are strict rules on wired telecommunications carriers.** Regulations have been important to the development of this industry since its establishment.
- **There are associations that advocate heavily on behalf of telecommunications carriers.**

## External Drivers

What demographic and macroeconomic factors impact the industry?

Number of mobile telephone subscriptions  
Million

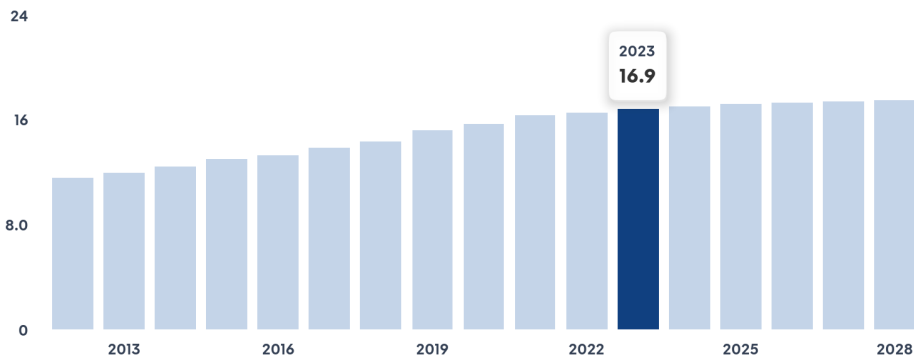


IBISWorld

Source: IBISWorld

As mobile telephones continue to improve in quality and reliability, consumers are increasingly viewing wired telephony as an unnecessary expense and are eliminating their landlines altogether. Additionally, as the cost of cell phone components decreases, the price of wireless devices and services decreases as well, encouraging consumers to replace wired telecommunication with wireless devices. The number of mobile telephone subscriptions is expected to increase in 2023, posing a potential threat to the industry.

**Number of fixed broadband connections**  
Million

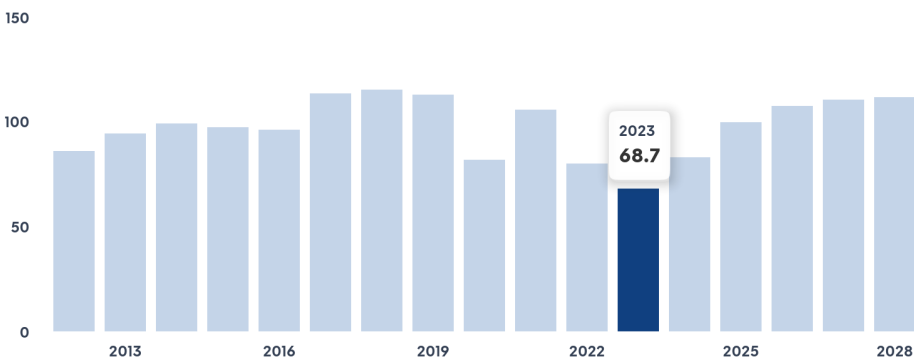


IBISWorld

Source: IBISWorld

Although demand for wired voice telephony has plummeted, demand for wired broadband internet connections has continued to soar. This enables Voice over Internet Protocol telephone services to be used. The number of fixed broadband connections is expected to increase in 2023.

**Consumer confidence index**  
Index

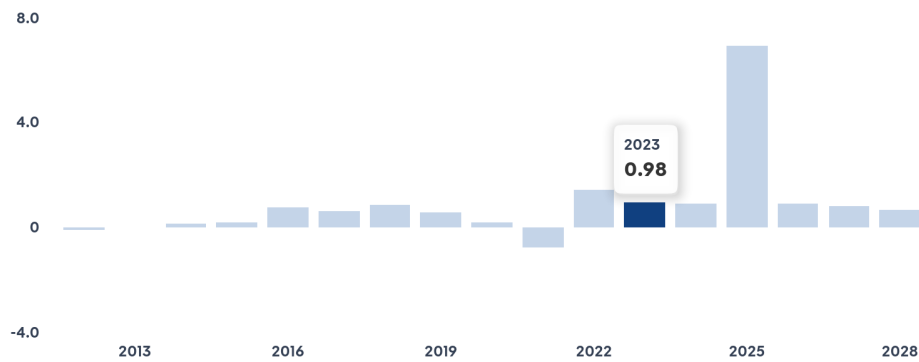


IBISWorld

Source: IBISWorld

The Consumer Confidence Index measures consumer optimism about the current economic environment and is an indicator of consumer product sales in the near term. The survey questions asked are related to household finances, business conditions, unemployment, inflation, income, government economic policy and whether it is a good time to buy or sell a house, automobile or other major household items. The Consumer Confidence Index is expected to increase in 2023.

**Number of children aged 19 and younger**  
Growth



Source: IBISWorld

While residential landlines continue to be substituted for cellular phones or Voice over Internet Protocol services, households with younger children are more inclined to keep their wired telephone subscriptions for emergencies. The number of children aged 19 and younger is expected to increase in 2023, representing a potential opportunity for the industry.

## Regulation & Policy

Moderate

Steady

### What regulations impact the industry?

#### Telecommunications Act

Under the Telecommunications Act, all facilities-based telecommunications service providers in Canada must seek regulatory approval for all proposed industry tariffs, unless the services are exempt from regulation. The act is largely aimed at deregulating the convergence of broadcasting and telecommunications markets.

#### Regulatory bodies

Telecommunication carriers are regulated by Canada's government departments and agencies including the Canadian Radio-television and Telecommunications Commission; Innovation, Science and Economic Development Canada; and the Competition Bureau. These agencies regulate carriers in matters like spectrum auctions, approval of acquisitions, foreign ownership and broadcasting. For example, under the Competition Bureau's Competition Act, all mergers are subject to review and those that exceed prescribed thresholds must be formally pre-notified to the bureau.

## Assistance

Low

Decreasing

### What assistance is available to this industry?

#### Telecommunications fund

Wired telecommunications carriers receive assistance through a national fund where telecommunications providers that generate more than \$10.0 million in annual revenue must contribute to a fund to subsidize incumbent local exchange carriers. These subsidies go toward residential telephone service in high-cost serving areas, which are typically remote and rural. A recent decrease in this subsidy has been caused by a change from wired services to broadband Internet access for these remote and rural areas.

#### Industry associations

Wired telecommunications carriers can seek the assistance of several industry associations. Foremost among them is the Canadian Radio-television and Telecommunications Commission (CRTC), a public organization that regulates the broader broadcasting and telecommunications industry. The CRTC publishes reports along with consumer insights and future goals. The Canadian Independent Telecommunications Association (CITA) also represents Canada's independent telephone companies before federal and provincial bodies. The CITA promotes the improvement of telecommunication services in Canada and protects its members' interests.



# Financial Benchmarks

Understand average costs for industry operators and compare financial data against key ratios and financial benchmarks broken down by business size.

## 8. Financial Benchmarks

<https://my.ibisworld.com//ca/en/industry/51711cCA/financial-benchmarks>

### Highlights

Profit Margin

**5.4 %**

↑ Higher than sector

Average Wage

**\$82,224**

↓ Lower than sector

Largest Cost

**Purchases**

54.3% of Revenue

### Key Takeaways

- **Plummeting demand has lowered profitability.** Having fewer customers has made it harder to recoup investments for wired telecommunications carriers.
- **Cost structure is characterized by high fixed costs.** The number of calls clients make or the length of their conversations are mostly unaffected by current rates.

## Cost Structure

### Cost Structure Benchmarks

Average operating costs by industry and sector as a share (%) of revenue 2023



Source: IBISWorld

Chart displays current year only in the PDF version of this report. You can view and download chart for all other years associated with this industry on [my.ibisworld.com](https://my.ibisworld.com).

### What trends impact industry costs?

#### Infrastructure upkeep fuels wage costs

- Wages are expected to represent 12.4% of revenue in 2023.
- The two most significant occupations in wired telecommunications are network maintenance and repair personnel and customer service personnel. The aging infrastructure that many wired telephony services rely on requires steady repairs, which keeps wages relatively high.
- In recent years, many carriers have shed employees associated with traditional voice telephony services among weakened demand.

#### Purchases rising alongside price inflation

- Purchases are expected to represent 54.3% of revenue in 2023.

- For new carriers, purchases include the cost of service expenses, which are expenses necessary for entry. Such purchases include the infrastructure and network equipment necessary for voice calls.
- More established operators have, in addition to operational purchases, begun investing in technology to upgrade their existing networks.

#### **Lower demand harms profitability**

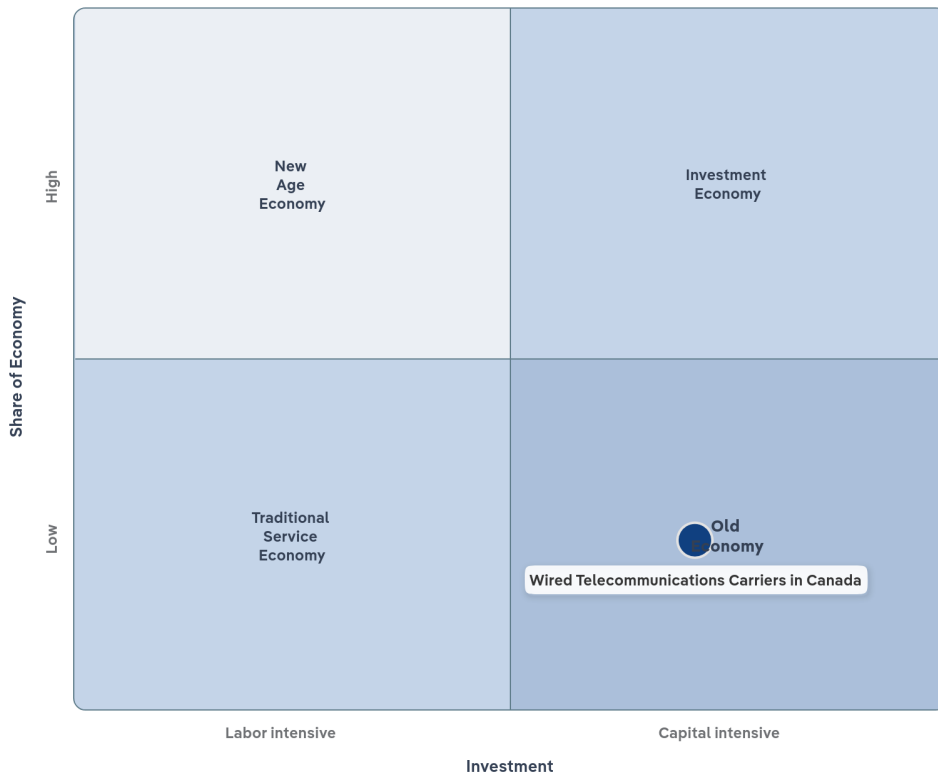
- In 2023, profit is expected to account for 5.4% of revenue.
- the number of access lines has steadily slid in recent years as consumers have switched to other forms of voice communication.
- Price competition from substitute services has contributed to lower levels of profit.
- Some companies have offered customers more flexible payment schedules, which has preserved profitability to a degree. The fact that telecommunications carriers are still able to use a large part of the existing infrastructure to provide legacy voice services has kept fixed costs down.

#### **Depreciation costs remain relatively steady**

- Depreciation costs are expected to account for 7.8% of revenue.
- Depreciation is a significant expense for wired telecommunications carriers due to the substantial level of capital resources tied up in carriers' networks and infrastructure. Carriers are continually upgrading their networks, with many switched carriers improving service offerings by moving to fibre-based systems with internet protocol capabilities.

### Reliance on capital constrains growth

Share of economy vs. Investment



## Key Ratios

Year	Revenue per Employee (\$)	Revenue per Enterprise (\$ million)	Employees per Estab. (Units)	Employees per Ent. (Units)	Average Wage (\$)	Wages/Revenue (%)	Estab. per Enterprise (Units)	IVA/Revenue (%)
2005	555,869	381.1	68.4	685.7	82,062	14.8	10.0	29.5
2006	514,559	369.4	68.8	718.0	77,553	15.1	10.4	29.7
2007	486,648	377.3	64.2	775.3	81,074	16.7	12.1	31.8
2008	482,878	332.8	60.3	689.1	77,525	16.1	11.4	31.2
2009	562,447	275.1	51.2	489.1	86,340	15.4	9.6	30.8
2010	557,355	253.1	45.7	454.0	82,211	14.8	9.9	30.2
2011	538,121	237.3	42.8	441.0	79,742	14.8	10.3	29.8
2012	518,904	206.2	39.7	397.3	80,069	15.4	10.0	30.5
2013	483,786	167.8	37.3	346.9	74,020	15.3	9.3	29.7
2014	508,299	151.2	30.8	297.5	75,797	14.9	9.7	29.4
2015	561,094	140.9	24.2	251.1	83,613	14.9	10.4	32.0
2016	637,101	157.8	23.0	247.6	91,313	14.3	10.8	31.2
2017	598,684	131.1	20.3	218.9	84,869	14.2	10.8	26.0
2018	557,816	175.4	29.1	314.4	76,014	13.6	10.8	26.7
2019	641,906	177.1	25.2	275.8	78,335	12.2	10.9	28.2
2020	626,223	156.5	24.1	249.9	79,794	12.7	10.4	28.8
2021	639,976	135.5	21.7	211.7	81,627	12.8	9.8	27.3
2022	653,186	137.6	21.6	210.6	81,961	12.5	9.8	25.8
2023	664,238	143.2	21.8	215.6	82,224	12.4	9.9	25.6
2024	675,140	145.4	22.0	215.4	82,504	12.2	9.8	25.4
2025	677,893	150.3	22.2	221.7	82,561	12.2	10.0	25.5
2026	674,156	146.4	21.8	217.2	82,483	12.2	10.0	25.6
2027	668,564	137.4	21.5	205.5	82,357	12.3	9.6	25.6
2028	663,089	135.3	21.2	204.1	82,198	12.4	9.6	25.5
2029	678,014	140.6	21.6	207.4	82,594	12.2	9.6	25.5



# Key Statistics

Discover 14 years of historical, current and forward-looking industry performance data in table format.

## 9. Key Statistics

<https://my.ibisworld.com//ca/en/industry/51711cCA/key-statistics>

### Industry Data

Year	Revenue (\$ million)	IVA (\$ million)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Wages (\$ million)
2005	19,819	5,843	521	52	35,654	2,926
2006	19,581	5,811	553	53	38,053	2,951
2007	17,733	5,635	568	47	36,439	2,954
2008	16,638	5,193	571	50	34,456	2,671
2009	15,404	4,750	535	56	27,388	2,365
2010	13,412	4,055	527	53	24,064	1,978
2011	12,102	3,602	525	51	22,489	1,793
2012	10,928	3,329	530	53	21,059	1,686
2013	9,903	2,941	549	59	20,470	1,515
2014	9,678	2,850	619	64	19,040	1,443
2015	9,017	2,886	665	64	16,071	1,344
2016	9,150	2,858	624	58	14,362	1,311
2017	6,947	1,809	572	53	11,604	985
2018	6,665	1,779	411	38	11,948	908
2019	6,197	1,745	383	35	9,654	756
2020	5,477	1,579	363	35	8,746	698
2021	4,878	1,329	352	36	7,622	622
2022	4,677	1,209	332	34	7,160	587
2023	4,439	1,136	307	31	6,683	550
2024	4,218	1,073	284	29	6,247	515
2025	3,907	995	260	26	5,763	476
2026	3,514	900	239	24	5,212	430
2027	3,160	809	220	23	4,727	389
2028	2,842	726	202	21	4,286	352
2029	2,812	716	192	20	4,148	343



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