



The Bell/CTV deal and the launch of Videotron's new mobile network

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The convergence lion roars again, and again:

Recently we have seen yet again convergence (or should we say vertical integration) at the heart of Canadian communications industry developments.

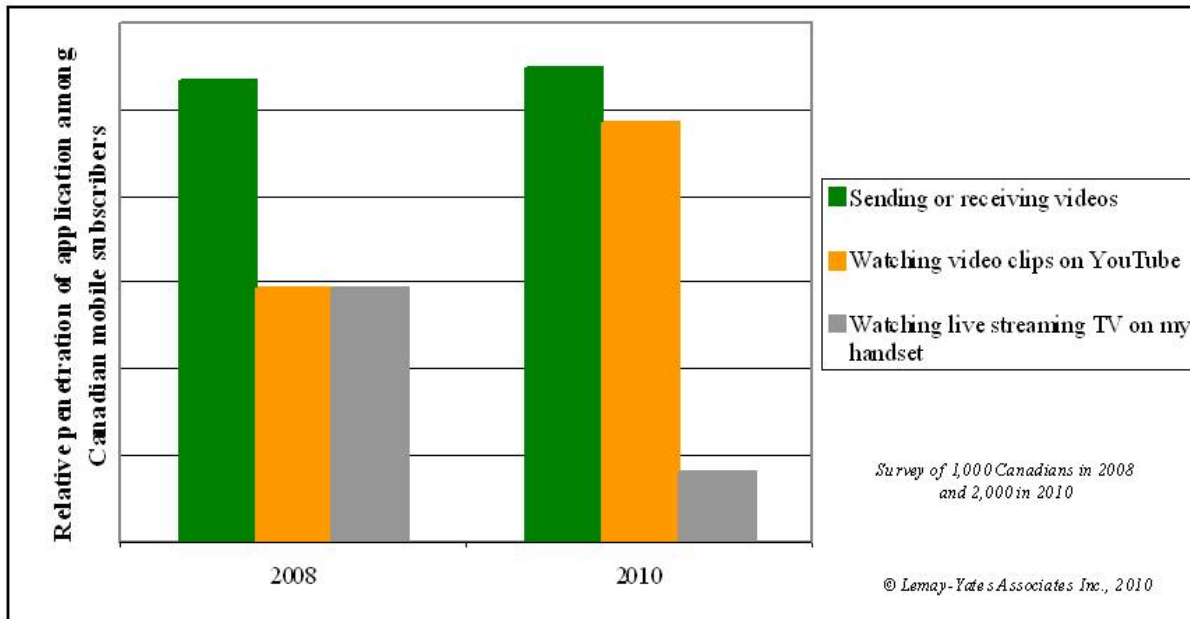
- First Quebecor/Videotron launched its new mobile network on September 9th, with a slew of content, many from its sister companies but not all, to develop a competitive advantage in addition to unlimited talk services. Noteworthy were hockey matches from both TSN and RDS, soon to become the property of Bell, to be broadcast on Videotron's new mobile network,
- Then Bell Canada replied within 24 hours buying CTV, for a second time, and obtaining the most popular English TV network in the country as well as a prime position among specialties, mostly focused again on the English market.

These developments generated substantial discussion on the real benefits of convergence and of acquiring content assets as opposed to simply obtaining access to them for a fee. The same question popped up regarding the acquisition of Global by Shaw.

The Bell/CTV deal also signals a clear focus on video services and mobile video or TV services as a key driver of expected future revenue growth for mobile carriers. While Canadians are embracing smartphones rapidly, the story has been fairly different for streaming video or live TV on one's mobile device, which has yet to be a success among consumers. The following chart from LYA's own research indicates that streaming live TV on a mobile phone was the least popular among the 3 mobile video applications tested in late 2008 and again in the first quarter of 2010, with little growth in between. This should be expected to change over the coming months with mobile video and TV becoming the king of mobile applications, at least in the eyes of the telecommunications carriers.

Lemay-Yates Associés Inc. / **Lemay-Yates** Associates Inc.

2015 Peel, Suite 980, Montreal QC H3A 1T8 / Tel: 514-288-6555 / lva@lva.com / www.LYA.com



This deal raises significant questions for Canada's remaining telcos and cablecos namely TELUS, Cogeco, Eastlink, MTS Allstream and SaskTel, in addition to a number of smaller operators, who either recently divested of or have yet to team up with content assets. Will they from now on only have access to mundane content or even be left out in the cold? Will these deals impact availability of content only on the mobile platform or will the impact also spread to online TV access and TV Everywhere type initiatives?

We also highlight that the focus on mobile video increases requirements for mobile network bandwidth and spectrum. While carriers have been investing heavily into upgrading their mobile network infrastructure, and Canada is now a world leader in this regard, the release of additional spectrum to Canadian firms has been stalled in the corridors of Ottawa. Recent AWS new entrants and existing players will require additional spectrum to keep up with the anticipated explosion in mobile video services and bandwidth, and sooner rather than later. This deal increases the pressure on the Canadian government to launch its process for spectrum award for mobile broadband.

Notwithstanding the strong déjà vu feeling stirred up by the new Bell/CTV deal, this signals that we are clearly entering a new era in Canadian communications characterized by strong vertical integration among the key players to leverage multiple technology platforms and introduce new services.

We note the irony in the fact that Canada's regulatory framework is the one among its peers which refuses to recognize the convergence between broadcasting and telecommunications, while its industry structure is the most converged. In most other countries, both cable distribution



and telecommunications networks have been regulated under a common framework for a number of years.

For further details, you can watch Johanne Lemay's September 13th interview on the Business News Network with Michael Kane by [clicking here](#).