



The Strategic Counsel

A Report to the  
Canadian Cable Television Association

Unauthorized Satellite Use In Southw estern Ontario

April 2002



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## I Executive Summary

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- One-in-five (20%) of all households within cabled areas in Southwestern Ontario report that they utilize satellite services for residential television programming services.
- Among satellite users, a range of between 22% and 28% emerge as potentially **unauthorized** users of satellite service, citing ‘no specific supplier,’ “don’t know” or DirecTV as the source of their service. This translates into a range of between 4.5% and 5.7% of the market.
- Using the range of between **4.5% and 5.7%** of households using unauthorized satellite services within the region, a total of between **28,035 and 35,682** households in Southwestern Ontario alone are likely using unauthorized services. It is expected that these figures likely underestimate the true number of households for several reasons: it is likely that some survey respondents are unwilling to report use of unauthorized services; some are likely purchasing minimum basic services from Canadian suppliers, but accessing additional services without payment; and, some are likely deliberately misidentifying authorized Canadian suppliers when they are using unauthorized services. Further, the survey was conducted in cabled areas only. It is expected that the incidence of unauthorized use of satellite services is likely higher in areas outside of cabled areas (e.g., rural areas), thereby increasing the proportion of unauthorized users throughout Southwestern Ontario.
- Recognizing that the survey findings cannot project regional findings to the national level, using the range of between 4.5% and 5.7% provides an estimate of the numbers of household nationally that may be using unauthorized services. If this range is used, the number of households nationally using unauthorized satellite services could be between **475,864 and 602,762** in cabled areas only. If this usage is applied to all households in the country – including those outside of cabled areas – the number of unauthorized satellite users would be in the range of between **564,686 and 715,269**. It should be noted, however, that this likely under-represents the total number of unauthorized users as the incidence of unauthorized use may well be higher in non-cabled areas.
- Research contained within the study on both availability of U.S. services and price paid for services support the findings that categorize the range as unauthorized satellite users.



## II Technical Introduction And Methodology

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### A. Technical

*The Strategic Counsel* is pleased to present to the Canadian Cable Television Association the findings of a research study intended to determine the incidence of authorized and unauthorized satellite use among households in Southwestern Ontario. A map outlining the areas surveyed within Southwestern Ontario is appended to this report (i.e., 905 and part of 519 Area Codes including suburban Toronto, the Golden Horseshoe and Hamilton west to Chatham and Sarnia).

The study was conducted by telephone among a sample of 1,000 residents of Southwestern Ontario, 18 years of age or older who report involvement in and responsibility for decision-making about household entertainment products and technologies. The study was conducted in cabled areas only and was undertaken between February 26 and March 3, 2002.

The margin of error for a sample of 1,000 respondents is  $\pm 3.1$  percentage points, nineteen times out of twenty.

### B. Introduction and Objectives

The research study was commissioned in order to determine, to the extent possible, the incidence of authorized and unauthorized satellite usage in the selected region of Southwestern Ontario.

Recognizing that survey respondents may be reluctant to report usage of unauthorized satellite services, a questionnaire was developed to determine the types of channels or services available within respondents' households. These findings were compared to reported means of receiving television programming services (i.e., cable television, authorized Canadian satellite services, DirecTV or other, unauthorized satellite services) to determine actual means of receiving programming. It should be noted, however, that the survey bases its incidence of unauthorized satellite service solely on reported means of receiving such services. Where appropriate, the survey seeks to confirm the availability of programming options among those with cable service and those reporting authorized or unauthorized satellite service.

The overall objective of the survey was to determine the incidence of use of unauthorized satellite services within the region of Southwestern Ontario.



### III Key Findings of the Research Study

#### A. Means of Receiving Television Programming within Households

##### One-in-five (20%) households in Southwestern Ontario receive satellite services

- The study reveals that one-in-five households (20%) within the survey region reports receiving television programming services in the home through a satellite service provider.
- This segment is further divided: a total of 14% of all survey respondents report that they receive television services through a satellite service only, while an additional 6% report that they receive television programming services through **both** a satellite service and a cable television service provider (14% + 6% = 20%)
- Not surprisingly, the survey reveals that seven-in-ten (70%) of all households receive television programming services from a cable company only, while one-in-ten either report that they have no television programming service provider (9%) or provide no response (1%).

Table A :Reported Television Programming Service Providers

Service Provider	% of Households*
Cable Television Only	70
Satellite Service Only	14
Satellite and Cable Service	6
None	9
DK/NA/REF	1

} 20

Q.39 Do you have cable television, a satellite service or both?

\*Base: Full Sample, n=1000, Southwestern Ontario

#### B. Reported Satellite Service Provider

##### Almost one-quarter of all satellite users identify an unauthorized service provider

- Survey respondents who identify themselves as satellite users were asked to identify their service provider for such services. As Table B reveals, almost one-quarter of all satellite users interviewed (22%) report that they either do not deal with a specific company (16%) or identify DirecTV (6%) as the company that provides their satellite television programming service. Clearly, these respondents are using unauthorized services to receive satellite signals in their households. The fact that they “do not deal with a specific



company” indicates that these users have purchased the necessary satellite equipment and are accessing services without *subscribing* through an authorized Canadian service provider (i.e., either Bell ExpressVu or Star Choice). In short, these households are receiving signals for which no payment is made to an authorized Canadian service provider.

- Further, an additional 6% of all satellite users provide no answer when probed on the name of their satellite service provider.
- As a result, the survey findings suggest that a **minimum of 22%** of all satellite users in Southwestern Ontario are using unauthorized satellite services (either do not deal with a specific service provider or purchase/receive services through DirecTV). This proportion **rises to 28%** when the additional 6% of respondents who refuse to identify a service provider or provide ‘no answer’ are included.

Table B : Supplier of Satellite Services to Households\*

Identified Supplier	% of all Satellite Users (n=204)	% of Market (n=1000)
Bell ExpressVu	44	9
Star Choice	20	4
No specific company/no company	28 { 16 } { 6 } 22 { 6 }	3
DirecTV		1
Refused/no answer		1
Look	5	3
Other	3	<1

Q.40 As far as you know, what company provides your satellite service OR do you not deal with a specific company?  
 Base: All satellite users (n=204)

**Incidence of unauthorized satellite usage ranges between a minimum of 22% and 28% of all satellite users**

- Overall, then, the research study reveals that the incidence of unauthorized satellite usage within the region is between a minimum of 22% of all satellite subscribers up to 28% of subscribers within cabled areas.
- In terms of total market share, these findings reveal that unauthorized satellite service accounts for between 4% and 5% of the entire market of households in Southwestern Ontario (3% + 1% + 1% = 5%) within cabled areas.



- While these findings reveal a very high incidence of unauthorized satellite service (i.e., between 22% and 28% of all satellite users), it should be emphasized that this **likely underestimates the total number of unauthorized satellite users** in the region for the following key reasons:
  1. It is expected that at least some unauthorized users do not identify themselves as such and either report that they do not know who their service provider is or identify one of the two authorized service providers in the region (i.e., Bell ExpressVu or Star Choice).
  2. It is also expected that some of the survey respondents who identify themselves as either Bell ExpressVu or Star Choice subscribers may be accessing either company's signal without payment or with minimum payment (i.e., subscribing to and paying for a basic package of services, but gaining access to additional services through an unauthorized means) or deliberately misidentifying themselves as subscribers of one of the two authorized companies.
  3. The study was conducted in cabled areas only. As a result, it will not capture the incidence of both authorized and unauthorized satellite usage in non-cabled, rural areas within the Southwestern Ontario region.

### C. Reported Availability of Unauthorized Programming/Channels

- Support for the interpretation of the research findings that establishes a minimum range (i.e., 22% - 28%) of unauthorized use among reported satellite users is found in the analysis of respondents' identification of available television channels/services with their satellite service.
- All survey respondents were probed on the availability of a range of television channels within their households, including four U.S. services that are unauthorized in Canada: HBO, ESPN, USA Network and Turner Classic Movies.
- Those who report that they have 'no specific service provider' for their satellite service or subscribe to DirecTV report more frequently the availability of each of ESPN, HBO, Turner Classic Movies and USA Network in their households.
- While a proportion of the total sample reports that it has access to HBO and ESPN (21% and 29%, respectively) -- likely due to over-reporting resulting from confusion and access to some, limited HBO and ESPN programming on authorized services including TMN and TSN -- the substantially higher incidence of these channels among those identifying DirecTV and 'no specific service provider' (reported availability of HBO, for example, is at 78% compares to only 15% among cable subscribers – Table C) clearly indicates that these services are available to them through unauthorized means. As Table C reveals, those using DirecTV/Unspecified service providers are substantially more likely to report availability of specific U.S.-only channels than either the total sample, or cable subscribers or ExpressVu/Star Choice subscribers. Incidence of HBO and ESPN is at about three-quarters of these subscribers (78% and 74%, respectively) and one-in-two report the availability of the USA Network and Turner Classic Movies within their households (52% each).



Table C: Reported Access To 'Unavailable' Services/Channels

	Total Sample (n=1000) %	Cable Subs (n=696) %	ExpressVu/ StarChoice (n=130) %	DirectTV Unspecified (n=46) %
USA Network	12	8	22	52
Turner Classic Movies	13	9	19	52
HBO	21	15	37	78
ESPN	29	25	49	74

Base: Total Sample (n=1000)

- In addition, support for the likelihood of some deliberate misidentification of satellite service providers among those identifying either ExpressVu or Star Choice as their service provider is also apparent. Subscribers who identify either of these two authorized satellite companies as their service provider are more likely than average to report that they have access to USA Network, Turner Classic Movies, HBO and ESPN than average. Given that these services are not available to either ExpressVu or Star Choice subscribers, the findings suggest that at least some of these subscribers are identifying ExpressVu or Star Choice as their satellite company, but are, in fact, using unauthorized services. It is impossible to determine the incidence of this deliberate misidentification.

#### D. Calculating the Minimum Total Number of Households Using Unauthorized Satellite Services in Southwestern Ontario

- Using only those responses that reveal potentially unauthorized satellite services within households (i.e., those who identify 'no specific service provider' or DirecTV or a 'refusal/don't know' response), the total number of households in cabled areas that are using unauthorized satellite services can be calculated.
- As noted above, a minimum of 22% of all satellite subscribers identify either DirecTV or 'no specific service provider' as the source for their household satellite services.
- Augmented 1996 Census data from Statistics Canada\* reveals that there are a total of 637,171 households within the surveyed region of Southwestern Ontario.
- As the survey reveals, 20% of the region reports that it receives its household television programming services via satellite (see Table A above). As a result, a total of 127,434 households in Southwestern Ontario receive television programming services through either an authorized or unauthorized satellite service:

**637,171 Households x 20% Reporting Satellite = 127,434 Satellite Users**

\*1996 Census reveals that there are 630,346 households within the surveyed region; however, telephone sampling data for the study reveals a slightly higher number at 637,171. For the purposes of the calculation, The Strategic Counsel is relying upon the telephone sampling data. This would represent a conservative increase in the total number of households of only 1.1% between 1996 and 2002. While 2002 Census data is not available from Statistics Canada at the time of this report, it is expected that the total number of households in the region has increased beyond 637,171; however, in order to ensure as accurate a number as possible, The Strategic Counsel uses this more conservative estimate for these calculations.



**A minimum of more than 28,000 households in Southwestern Ontario are using unauthorized satellite services.**

- Based on the total number of households using satellite service (i.e., 127,434), the findings reveal that a minimum of 28,035 households are likely using unauthorized satellite services:

**127,434 Satellite Users x 22% Using Unauthorized Services = 28,035 Households in Southwestern Ontario using Unauthorized Satellite Services.**

- If the incidence of 28% is used, the total number of households likely accessing unauthorized services rises to **more than 35,000 households** within the selected area of Southwestern Ontario.

**127,434 Satellite Users x 28% Using Unauthorized Services = 35,682 Households using Unauthorized Satellite Services**

- Again, when the reported access to unauthorized television programming services is examined, the incidence of reported access to such services as HBO, ESPN, USA Network and Turner Classic Movies is substantially higher among this subgroup (i.e., 28% of all those identifying satellite service) than average. Table D reveals that three-quarters (75%) of this segment report access to HBO and ESPN, while about one-in-two report access to the USA Network (47%) and Turner Classic Movies (53%).

Table E below summarizes these findings:

Table E: Range of Total Number of Households in Southwestern Ontario Accessing Unauthorized Satellite Service	Unauthorized Use - Total Households	
	@ 22% of All Satellite Users	@ 28% of All Satellite Users
Total Number of Households in Survey Region: 637,171		
Total number of households reporting satellite usage (20% of all households): 127,434	28,035	35,682

The survey reveals that the range in households using unauthorized satellite services is between 28,035 and 35,682 households within the selected region of Southwestern Ontario.

Again, it is worth noting that the foregoing calculations are based solely on **reported** service providers and are very conservative estimates of the total number of unauthorized satellite users within the selected region of Southwestern Ontario. Limitations of the survey do not allow for the inclusion of the following:

- those who deliberately misidentify their service provider, identifying an authorized service like Bell ExpressVu or Star Choice;



- those who report that they utilize authorized service providers Bell ExpressVu or Star Choice, but may be paying for basic service only (and accessing additional services) or not paying for service from these providers at all;
- those who are outside of cabled areas within the region, but are using unauthorized service providers.

In summary, the following outlines the minimum range of unauthorized satellite usage within the region:

**22% to 28%** of all current satellite users in the region are using unauthorized service

Based on these conservative percentages, the total number of households accessing unauthorized services is between **28,035 and 35,682** within the region

The incidence of unauthorized use of such services within the region is, at minimum, between **4.5% and 5.7%** of all households in cabled areas.

- Further evidence of unauthorized use of satellite services is apparent in the results of questioning related to monthly expenditures for television programming services. All survey respondents were probed on the monthly amount paid for television programming services. When those who report utilizing satellite services are isolated, substantial variation in the monthly amount paid emerges between those reporting authorized service providers (i.e., Bell ExpressVu and Star Choice) and those identified as using unauthorized services (i.e., DirecTV customers and those with ‘no specific service provider’).
- As Table F reveals, those categorized as likely to be using unauthorized satellite services more often report that they spend less than \$25 per month on their subscription fees than those using authorized services. On a combined basis, fewer than one-in-ten customers (8%) of ExpressVu and Star Choice report spending less than \$25 per month while almost one-in-four (23%) of those identifying DirecTV or ‘no specified’ service provider report such minimal spending. These findings suggest that this unauthorized group is paying a nominal amount or not paying anything to access the services that they are receiving in their households. Further, almost four-in-ten (38%) of those identifying DirecTV or ‘no specific company’ as their service provider for satellite service report that they “don’t know” how much they pay per month (compared to only 10% of those reporting ExpressVu or Star Choice). Clearly, substantial variation in responses is evident between authorized and unauthorized users. Again, these findings suggest that the categorization of these respondents as ‘unauthorized’ is appropriate.



Table F: Reported Monthly Expenditure Among Satellite Users

Amount Paid Per Month	% Response	
	ExpressVu/Star Choice Subscribers	DirectTV/No Specific Provider*
Less than \$25 per month	8	23
\$25 to \$40 per month	24	23
\$41 to \$50 per month	12	-
\$51 to \$70 per month	32	8
\$71 to \$100 per month	6	8
More than \$100 per month	2	-
Don't know	16	54

Q.41 On average, how much do you spend per month for your satellite service?  
 Base: Satellite Users, n=204  
 \* Caution: Small Cell Sizes

### E. Using the Findings to Estimate a National Incidence

- Recognizing that the research survey cannot project regional findings to the national level without a nationwide survey, there is some potential value in examining the regional findings against the total number of households nationally to provide an estimate of the number of unauthorized satellite users in the country.
- If the following assumptions are made, such a projection should provide a conservative estimate of the incidence of unauthorized satellite usage across the country.

#### Assumptions

1. The estimates based on the research in Southwestern Ontario are likely conservative as they cannot determine the incidence of those unwilling to report unauthorized use of satellite services or unauthorized service providers.
2. Further, the research findings in Southwestern Ontario cannot determine the incidence of respondents who are deliberately misidentifying Bell ExpressVu or Star Choice as their service provider as a way of disguising unauthorized use of satellite services. As a result, it is expected that the findings generated in Southwestern Ontario under-represent the total number of unauthorized users.



3. There is little reason to believe that the incidence of unauthorized satellite usage would vary significantly in English speaking regions of Canada. It is likely, however, that the incidence may differ in French-speaking Canada, particularly within Quebec, where the demand for English-language services would be lower. This lower demand in Quebec may be offset by a higher incidence of unauthorized use of Canadian service providers that carry all available French language services.
  4. There is little reason to believe that the incidence of unauthorized satellite usage would differ markedly in cabled areas across the country (with the potential difference in Quebec, as noted above and potentially easier access to equipment along border areas).
  5. There is an uncaptured incidence of both authorized and unauthorized satellite users in areas outside of those passed by cable. The study cannot determine what the incidence in rural, non-cabled areas might be, but it is likely that the data generated in Southwestern Ontario under-represents the true incidence of both authorized and unauthorized use across the region as a whole (i.e., beyond cabled areas).
- Existing data establishes that there are 10,574,772 households passed by cable in the 10 provinces.\* If the incidence established in Southwestern Ontario of 4.5% to 5.7% of all households passed by cable use unauthorized satellite services is applied, then the total number of households would range from 475,864 – 602,762 unauthorized users in cabled areas. Again, it is worth emphasizing that such an incidence assumes cabled areas only and, as a result, likely under-represents the full proportion of unauthorized users, particularly in English-speaking Canada.

**Estimated Range**

$$10,574,772 \times 4.5\% = 475,864$$

$$10,574,772 \times 5.7\% = 602,762$$

- If the range of 4.5% to 5.7% is applied to all households in the country – including those outside of cabled areas – a substantially higher number of households using unauthorized satellite services would emerge.
- Statistics Canada reports that there are 12,548,588 households nationwide.

$$12,548,588 \times 4.5\% = 564,686$$

$$12,548,588 \times 5.7\% = 715,269$$

- It should be noted, however, that a range of between 564,686 and 715,269 may underestimate the total number of households using unauthorized satellite services as it is likely that the incidence of unauthorized use is higher in non-cabled areas including rural areas.

\* Source: MediaStats, September 2001



## IV Appendix A :M apsO fSurvey Area

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