Standing Committee on Industry, Science and Technology study of the
Proposed Acquisition of Shaw by Rogers

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Prepared speaking notes for Dwayne Winseck, Ph.D. and Ben Klass

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The proposed mega-merger between Canada’s 2\textsuperscript{nd} and 4\textsuperscript{th} largest coms and media conglomerates, Rogers and Shaw, would—if approved—significantly lessen competition (see charts below). The merger would catapult Rogers even further ahead in mobile wireless, and it would become the biggest cable TV and Internet access provider in Canada.

- It triggers all the criteria used by competition and communication regulators to assess these kinds of deals.
- It would overturn a decade-and-a-half of policies by successive Conservative and Liberal governments alike to foster a fourth “maverick” mobile operator in regions across the country.

**Sources:** Canadian Media Concentration Research Project (2020). Media Industry Data.
That policy has made solid progress: Vidéotron has carved out close to 20% market share in Quebec and the NCR, while Eastlink has roughly 10% of the mobile wireless market in the Maritime provinces and Shaw has gained just over 8% market share in BC, AB and ON.

This transaction would eliminate Shaw-owned Freedom Mobile as a significant competitor in those three provinces which include two of our biggest cities, Toronto and Vancouver, and the nation's capital, with knock-on effects across the country.
The deal would also significantly raise concentration levels nationally for the mobile wireless, cable and Internet access markets.
Bigger is not better, faster or more innovative

- 5G will require substantial investment but Shaw, Videotron, and Eastlink have successfully handled similar challenges in the past and there’s no reason to doubt their capabilities now.

- Shaw actually plows proportionately more of its revenue back into upgrading its fibre broadband and mobile wireless networks than Rogers (i.e. capital expenditure intensity).

- A merger is not the only option. Rogers and Shaw could build on existing network sharing agreements like Rogers does with Quebecor in ON and QC and as Bell and Telus do nation-wide, or strike deals to share fibre and Radio Access Networks.

- Rogers’ debt/equity load is already twice that of Shaw and will soar further: 1. if this deal is approved; 2. the upcoming 3500 Mhz spectrum auction; 3. and Rogers’ need to renew the rights for Hockey Night in Canada in 2026.
Don’t trust, verify!

- How can Rogers and Shaw’s pledged commitments be tracked and verified?
- While Rogers and Shaw anticipate deploying 5G and other wireless networks to meet their pledges, most communities want fibre.
- Regardless, as communities across Canada try to build their own networks they face endless obstructionist tactics from incumbents rather than willing and reliable partners (as the public record for the CRTC’s Rural Broadband Barriers shows).
Canada’s lucrative $29.2 billion mobile wireless market is the 8th largest in the world.

- Average profits of 44% for mobile operators are 3 to 4 times the level for industry on average (CRTC, 2020).

- Excessive consolidation is not needed to offset the alleged limits to scale imposed by “the small market.”
Pricing

- Compared to the big 3, Shaw offers more affordable wireless plans, more monthly data, no overage fees, and other innovative features (e.g. Wi-Fi access, bundled discounts). Its presence has forced Bell, Rogers and Telus to respond by themselves lowering prices and offering new features. This is how competition is supposed to work.

- There is still room for improvement. Prices in Canada have fallen more slowly than in other countries (and from a higher baseline) while data caps have not kept pace (Rewheel, 2020).

- The preponderance of independent research has documented Canada’s high prices for years, for instance by the Wall & Nordicity studies for CRTC and ISED, the US FCC, the OECD, ITU, Rewheel, the Competition Bureau.

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**Rewheel: Canada’s standing in mobile wireless prices**

<table>
<thead>
<tr>
<th>4G&amp;5G smartphone plans with at least 1000mins and</th>
<th>Canada ranking among 51 countries</th>
<th>MIN monthly price EUR France</th>
<th>MIN monthly price EUR Canada</th>
<th>How many times the French MIN monthly price is lower than the Canadian MIN monthly price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1GB</td>
<td>14th most expensive</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>2GB</td>
<td>10th most expensive</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>3GB</td>
<td>12th most expensive</td>
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<td>6</td>
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</tr>
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<td>4GB</td>
<td>4th most expensive</td>
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<td>7</td>
<td>7</td>
</tr>
<tr>
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<td>6th most expensive</td>
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<tr>
<td>20GB</td>
<td>Most expensive</td>
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<td>12</td>
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<td>15</td>
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<td>17</td>
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<td>80GB</td>
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<td>18</td>
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<td>100GB</td>
<td>2nd most expensive</td>
<td>12</td>
<td>19</td>
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</table>

**Source:** Rewheel (2021). Is Canada the most expensive wireless market in the world? Available at: [http://research.rewheel.fi/downloads/Canada_most_expensive_wireless_market_world_PUBLIC_VERSION.pdf](http://research.rewheel.fi/downloads/Canada_most_expensive_wireless_market_world_PUBLIC_VERSION.pdf)
Turning-back-the-clock?

- With Shaw out of the picture, the trajectory of improvement that we’re currently on will be reversed.
- Rogers’ pledge to maintain prices for Freedom customers isn’t nearly good enough, even as an opening bid.
- Bell made a similar promise when it absorbed MTS in 2017; today Manitoba’s mobile services—once the envy of the rest of the country—have lost their edge.
- We need to be hearing about lower prices, more data, and greater adoption of new services. These things are delivered by competition, not consolidation.
Adoption

- For over a decade, adoption levels for mobile wireless services in Canada have languished at the bottom of the ranks amongst OECD countries (i.e. 31st out of 36 countries in 2020). This deal promises to keep prices high and will only help to cement our position as a laggard.

Mobile broadband subscriptions per 100 inhabitants, by technology, June 2020

Source: OECD Broadband Portal Table 1.2.2.
Mobile Internet Usage

- In addition to lowering prices, regional operators like Shaw have increased data caps. However, mobile data usage in Canada (2.9GB) is still only 1/2 the OECD average (5.8GB) and about 1/3 of what it is in the US (9.2GB) (OECD, 2019/2020; FCC, 2020, p. 19). Mobile data usage in Canada is 3-5 years behind the US, and letting Shaw disappear would set us even further back.

Mobile data usage per mobile broadband subscription per month, 2019

Source: OECD Broadband Portal Table 1.2.2.
The proposed Rogers-Shaw deal will have a considerable impact on the national cable market

- Rogers and Shaw carved-up cable and Internet access markets into Cable Monopoly East and Cable Monopoly West in the 1990s. This leads some to believe that a tie-up between them now will have minimal to no effects on either of these markets.

- While true, they did not compete with one another head-to-head thereafter, Shaw’s earlier embrace of newer cable network and set-top box technology revealed it to be the more innovative of the two firms while also forcing Telus to roll-out IPTV and fibre-to-the-home in western Canada five years earlier than Bell in Ontario and Quebec.
The proposed Rogers-Shaw deal will have a considerable impact on the national Internet access market.

- Shaw’s decision not to enforce data limits on Internet subscribers after Netflix arrived in Canada in 2010 while other big ISPs did revealed these limits for what they are: artificial constraints on people’s use of the Internet—precisely the type of limitations we need to debunk and destroy, not entrench and expand.

- If this deal goes through, Shaw’s customers will have to get used to counting their downloads against a meter (or be “upsold” to more expensive plans—if they can afford to do so.)
The proposed Rogers-Shaw deal will have a considerable impact on Canadian TV, Film & Culture

- This deal will also slam cutting-edge TV and film services providers such as OutTV, APTN and Blue Ant, etc. as well as other content creators and Canadian Media Producers Association (CMPA) members.

- They already have only 4 doors to knock on nationally to seek distribution deals. If the Rogers-Shaw deal goes through, the number of doors drops to three, and from three to just two in the English-language regions of Canada.

- If they can’t strike a deal with Rogers and Bell, they’ll be out of luck and, consequently, left with few distribution opportunities other than the global Internet giants.

- With data combined from 18.2 million Canadians integrated across Rogers and Shaw’s multiple platforms—Internet access, mobile wireless, cable TV, mobile & desktop browsers, etc.—this is also a “big data” deal and raises substantial questions about the link between that data and market power as well as about privacy and data protection.
Time to Kill the Rogers-Shaw Mega Merger

- Let’s be clear: this merger is simply a play by Rogers to extend its dominance of lucrative communication markets from coast to coast.

- Now is not the time for even more consolidation. Allowing this merger to proceed will result in higher prices and less innovation when what we need is greater affordability putting new technologies to work for the broader good of society.

- Allowing the merger to proceed with meagre, unenforceable concessions would be a mistake. The Bell MTS merger has shown that trading a real, existing competitor for an imaginary future one is a losing proposition.

- Regulators and policymakers who hope to serve the public interest should do what they can to oppose this merger.
Appendix for Q & A
# Biggest Mergers & Acquisitions in Canadian History

<table>
<thead>
<tr>
<th>Acquiror</th>
<th>Target</th>
<th>Date</th>
<th>Value (Billions, US$)</th>
<th>Value (Billions, CDN)</th>
</tr>
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<tbody>
<tr>
<td>Spin-off</td>
<td>Nortel</td>
<td>2000</td>
<td>59.97</td>
<td>89.07</td>
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<tr>
<td>Vivendi</td>
<td>Seagram</td>
<td>2000</td>
<td>40.43</td>
<td>60.05</td>
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<tr>
<td>Rio Tinto</td>
<td>Alcan</td>
<td>2007</td>
<td>37.64</td>
<td>40.44</td>
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<tr>
<td>Enbridge</td>
<td>Spectra Energy</td>
<td>2016</td>
<td>28.29</td>
<td>37.50</td>
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<tr>
<td>Enbridge</td>
<td>Enbridge Liquids</td>
<td>2014</td>
<td>24.79</td>
<td>27.38</td>
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<tr>
<td>Rogers</td>
<td>Shaw</td>
<td>2021</td>
<td>20.53</td>
<td>26.00</td>
</tr>
<tr>
<td>Spin-off</td>
<td>Cenovus</td>
<td>2008</td>
<td>20.26</td>
<td>21.59</td>
</tr>
</tbody>
</table>

Network Quality

- Rogers, Bell and Telus’ advertising & PR campaigns point to blistering fast mobile download speeds as evidence they have built world class mobile networks (OpenSignal, 2021). The claim about fast download speeds is true. However, OpenSignal also uses 5 other key metrics to assess network quality: upload speeds, 4G network availability, and the quality of mobile subscribers’ video, gaming and voice experience.

- In OpenSignal’s latest report (March 2021) on these measures, Bell, Telus and Rogers’s scores range from poor to good and one “very good” for Telus on upload speed but never excellent or top-of-the-league.
All data presented in this presentation is available upon request.