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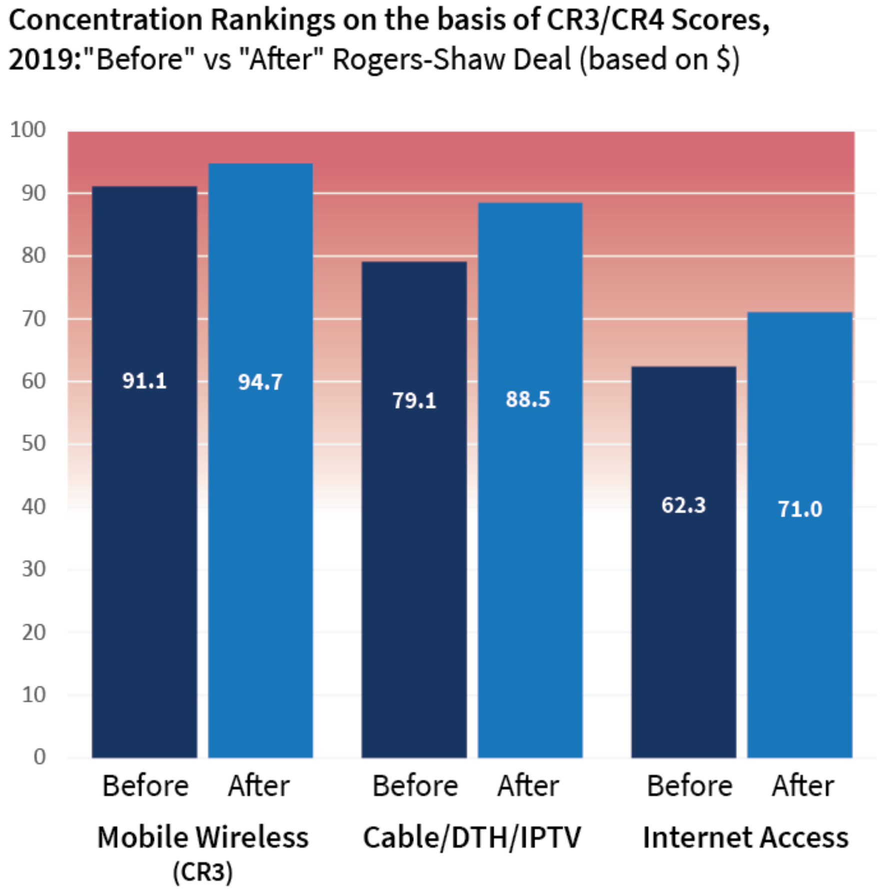
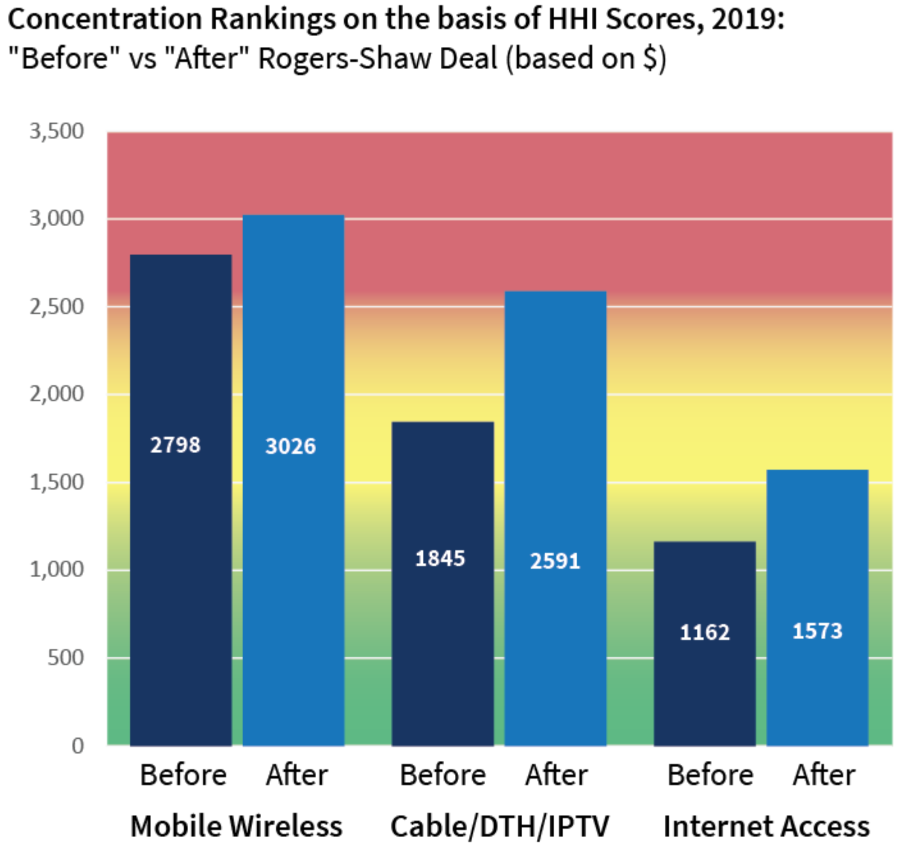
- The proposed mega-merger between Canada's 2nd and 4th largest coms and media conglomerates, Rogers and Shaw, would—if approved—significantly lessen competition (see charts below). The merger would catapult Rogers even further ahead in mobile wireless, and it would become the biggest cable TV and Internet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

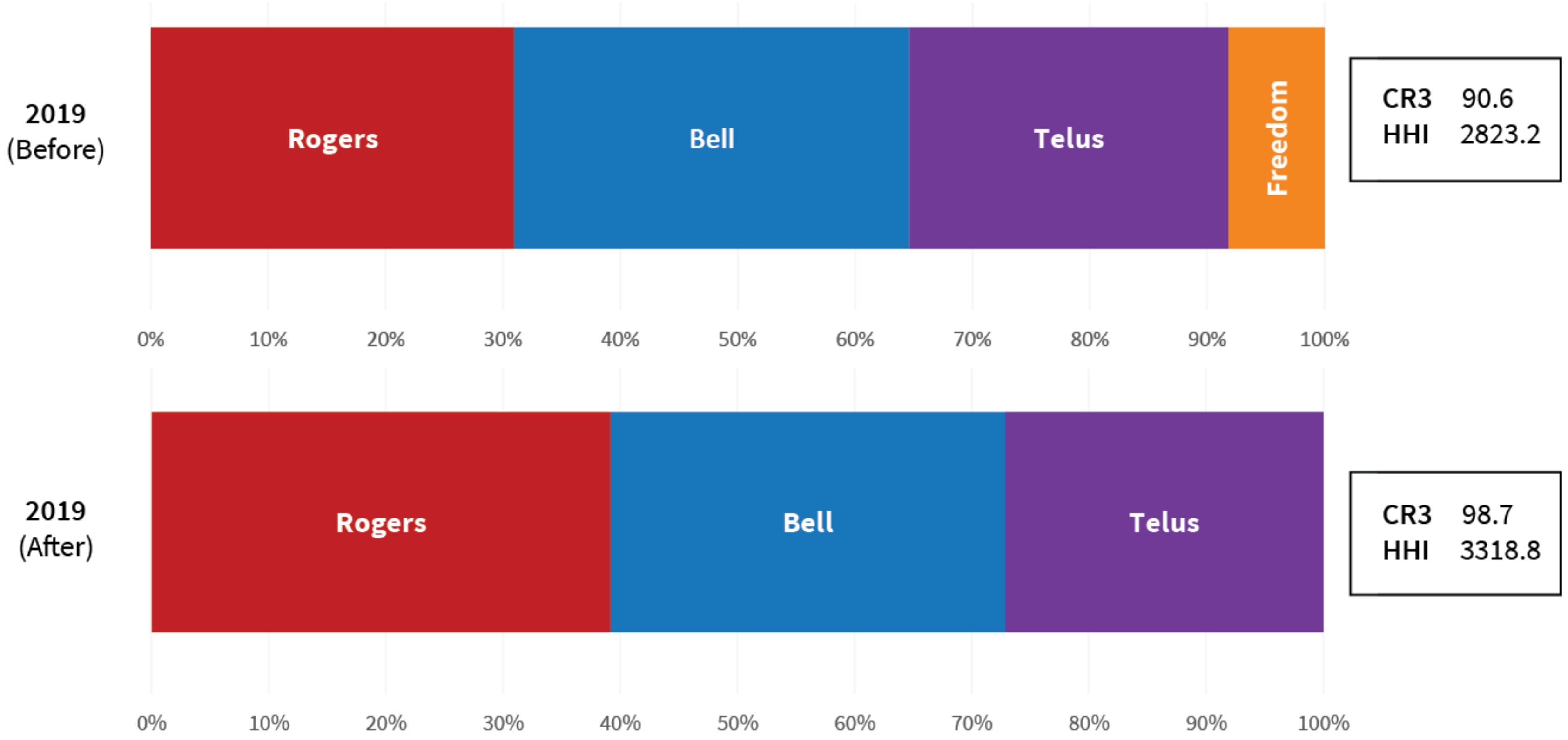




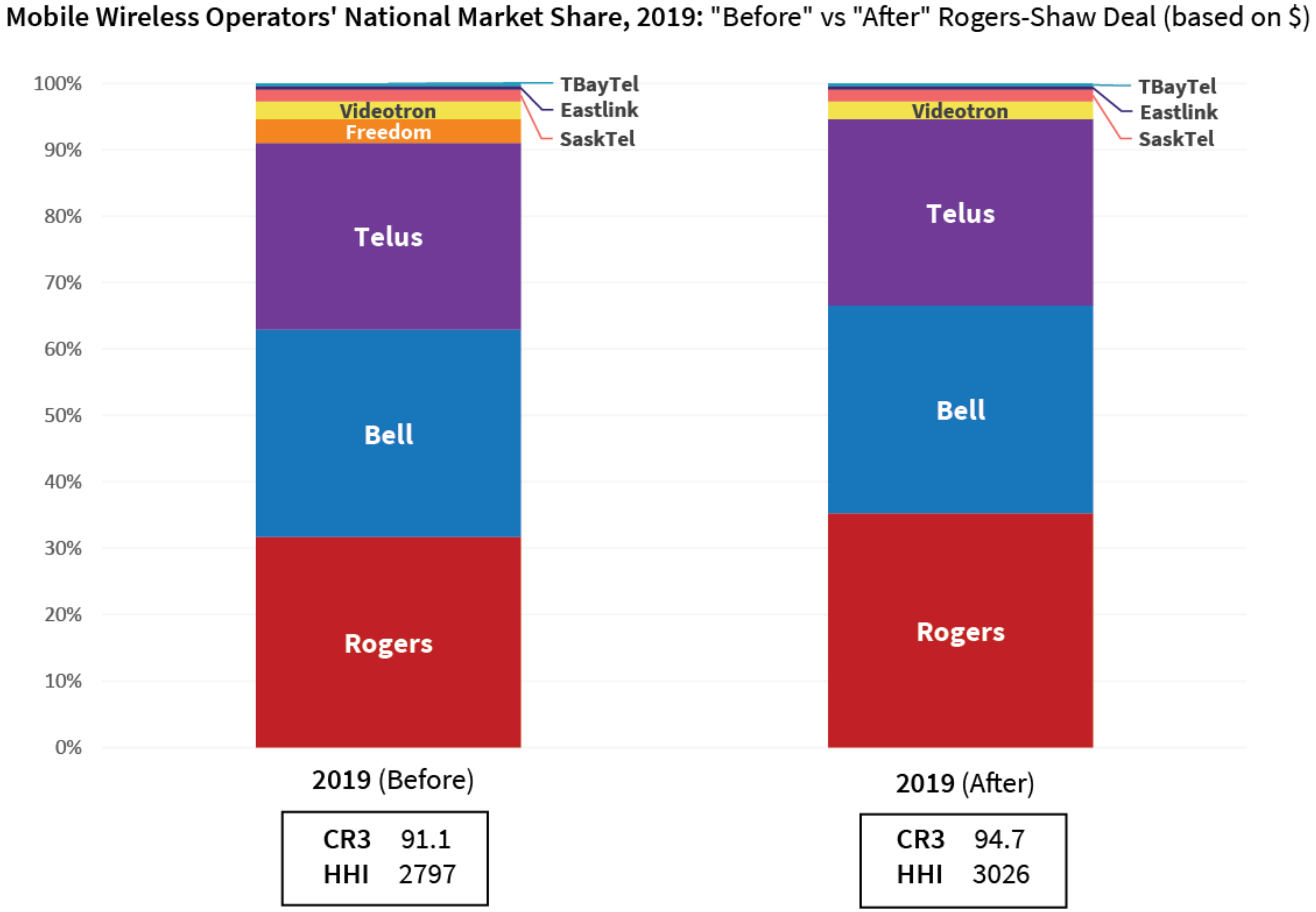
Sources: Canadian Media Concentration Research Project (2020). Media Industry Data.

- That policy has made solid progress: Videotron 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.

Effect of Rogers-Shaw Deal on Mobile Wireless Market Concentration in Ontario, Alberta and British Columbia
(based on Market Share, 2019 Subscribers)*



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.”

Mobile Wireless Markets in the OECD, EU and Other Select Countries Ranked by Revenue

	Country	Revenue (Millions, CDN$)
1	United States	248,609.3
2	China	171,865.0
3	Japan	103,213.7
4	Korea	63,592.8
5	India	48,294.0
6	Germany	39,472.4
7	Russia	39,357.0
8	Canada	29,200.0
9	United Kingdom	22,706.3
10	France	19,814.9
11	Italy	15,021.6
12	Spain	13,802.6
13	Australia	12,548.2
14	Mexico	11,687.0
15	South Africa	8,671.9
16	Turkey	8,299.0
17	Netherlands	6,121.9
18	Switzerland	5,425.6
19	Belgium	5,253.1
20	Austria	4,168.7
21	Argentina	3,876.0
22	Sweden	2,982.4
23	Finland	2,968.2
24	Czech Republic	2,872.3
25	Norway	2,723.1
26	Portugal	2,600.7
27	New Zealand	2,396.7
28	Ireland	2,330.9
29	Denmark	2,310.9

Note: sources cited in each invidual cell. Annual average exchange rate from the Bank of Canada. 2020 data = no highlight; 2019 data = light green shading.

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.

Rewheel: Canada's standing in mobile wireless prices

4G&5G smartphone plans with at least 1000mins and	Canada ranking among 51 countries	MIN monthly price EUR Canada	MIN monthly price EUR France	How many times the French MIN monthly price is lower than the Canadian MIN monthly price
1GB	14th most expensive			3
2GB	10th most expensive			4
3GB	12th most expensive			4
4GB	4th most expensive			5
5GB	6th most expensive			5
8GB	6th most expensive			6
10GB	7th most expensive			6
15GB	3rd most expensive			5
20GB	Most expensive			7
25GB	2nd most expensive			7
30GB	2nd most expensive			7
40GB	3rd most expensive			10
50GB	3rd most expensive			10
60GB	2nd most expensive			14
80GB	2nd most expensive			12
100GB	2nd most expensive			12

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

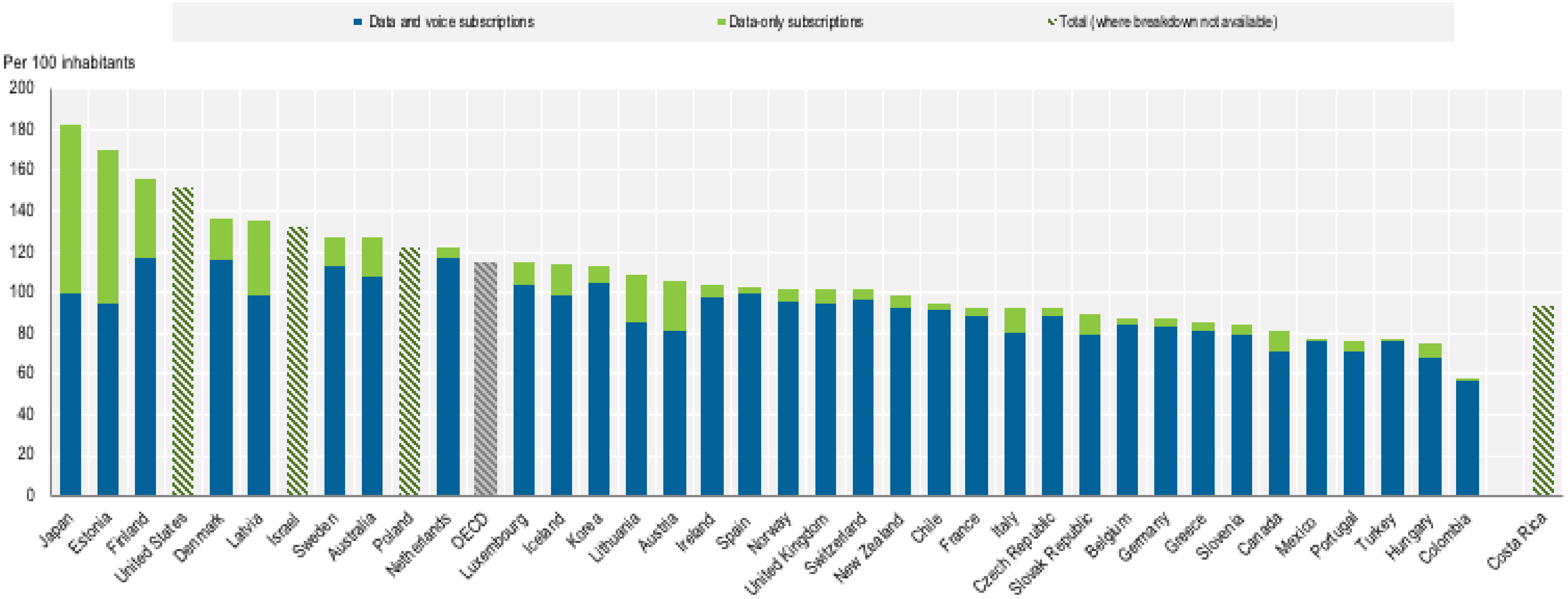
Turning-back-the-clock?

- 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

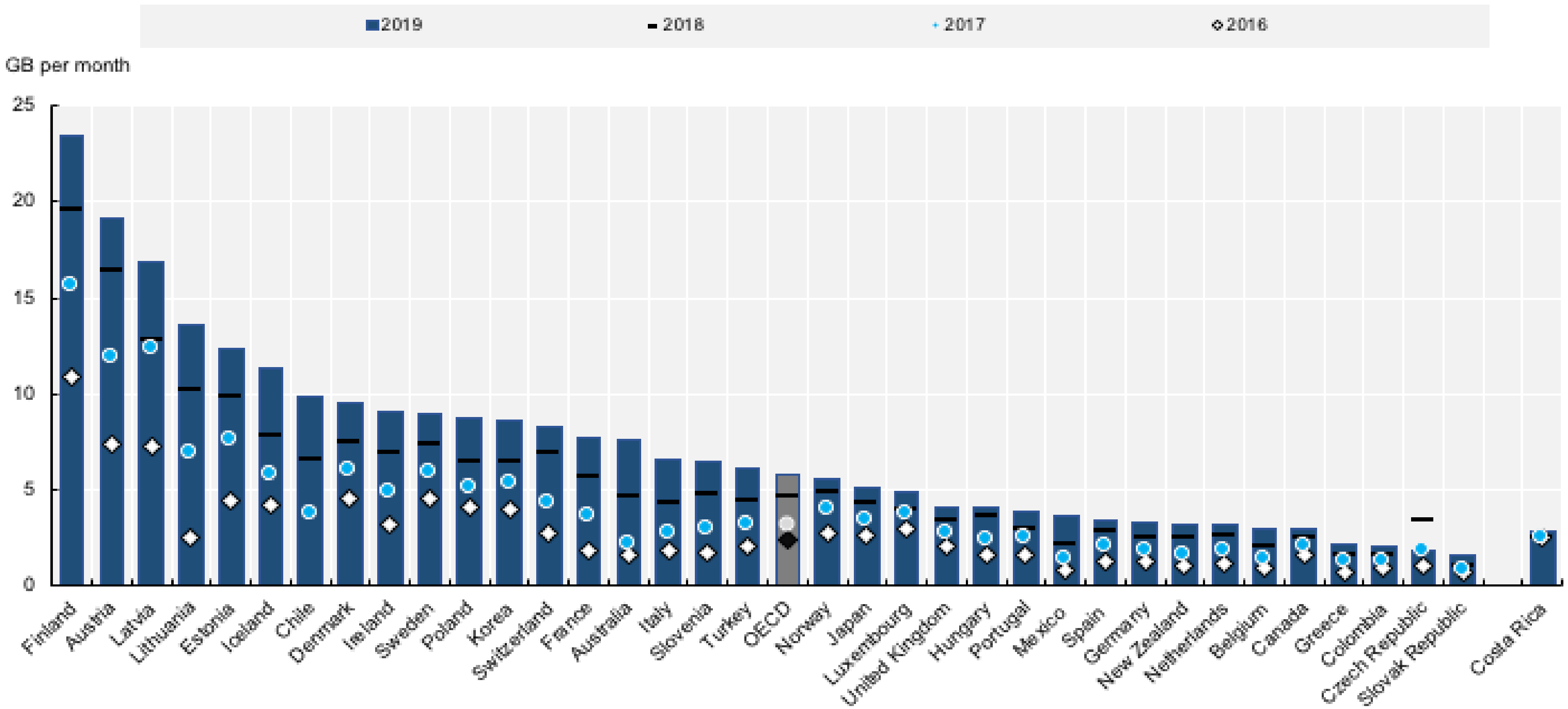


Source: OECD [Broadband Portal Table 1.2.2](#).

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

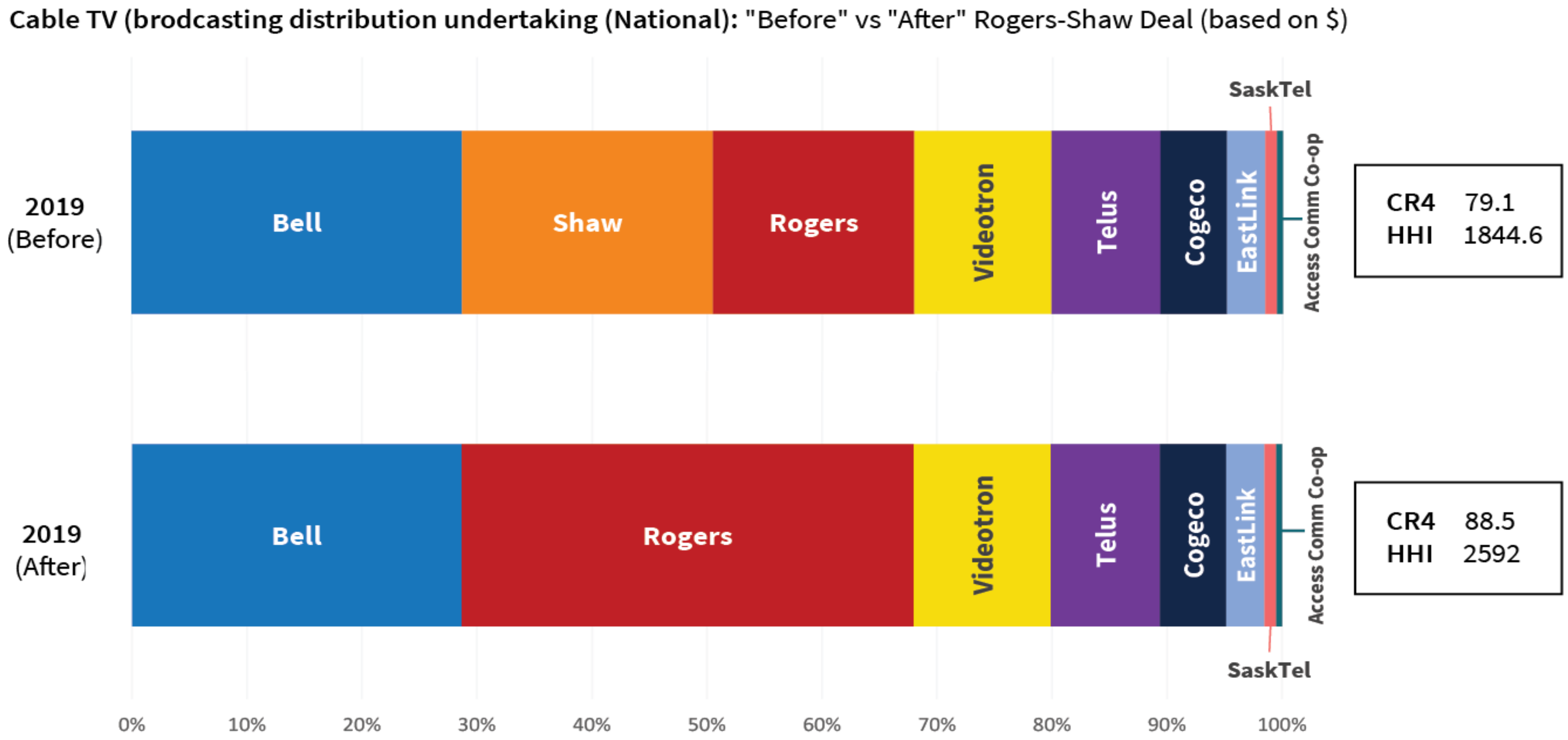


Source: OECD [Broadband Portal Table 1.2.2]().

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.

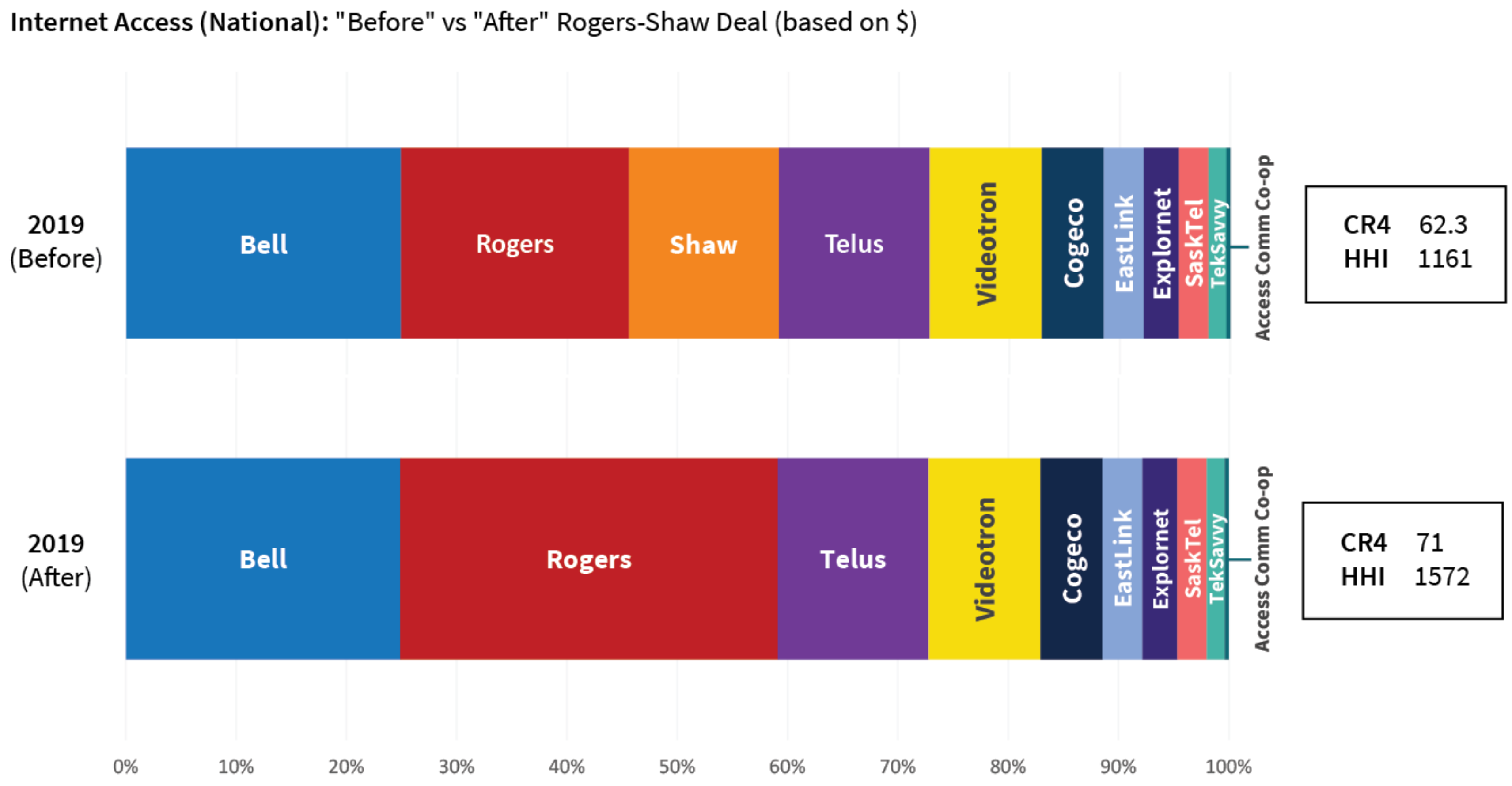
- While true, they did not compete with one another head-to-head thereafter, Shaw's earlier embrace of newer cable network and set-top box technology revealed it to be the more innovative of the two firms while also forcing Telus to roll-out IPTV and fibre-to-the-home in western Canada five years earlier 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

Acquiror	Target	Date	Value (Billions, US$)	Value (Billions, CDN)
Spin-off	Nortel	2000	59.97	89.07
Vivendi	Seagram	2000	40.43	60.05
Rio Tinto	Alcan	2007	37.64	40.44
Enbridge	Spectra Energy	2016	28.29	37.50
Enbridge	Enbridge Liquids	2014	24.79	27.38
Rogers	Shaw	2021	20.53	26.00
Spin-off	Cenovus	2008	20.26	21.59
CNOOC	Nexen	2012	19.12	19.12

Source: Institute for Mergers, Acquisitions and Alliances (2021). Biggest Deals in Canada. https://imaa-institute.org/m-and-a-canada/

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.

Opensignal Global Awards 2021

The Global Winners and Leaders

	Global 2021 WINNER	Global 2021 LEADERS			
Video Experience	SoftBank Japan T-Mobile Netherlands	A1 Austria Tele2 Netherlands KPN Netherlands	Swisscom Switzerland NTT DoCoMo Japan StarHub Singapore	Vodafone Netherlands 3 Austria Proximus Belgium	Orange Belgium
Games Experience	SoftBank Japan Vodafone Netherlands	T-Mobile Netherlands Tele2 Netherlands StarHub Singapore	KPN Netherlands Singtel Singapore LG U+ South Korea	SK telecom South Korea NTT DoCoMo Japan	
Voice App Experience	LG U+ South Korea	SoftBank Japan SK telecom South Korea KT South Korea	Rakuten Japan au Japan Vodafone Netherlands	NTT DoCoMo Japan T-Mobile Netherlands Viettel Mobile Vietnam	
Download Speed Experience	SK telecom South Korea	Telus Canada Bell Canada T-Mobile Netherlands	Vodafone Netherlands KPN Netherlands Tele2 Netherlands	StarHub Singapore LG U+ South Korea Rogers Canada	
Upload Speed Experience	Swisscom Switzerland	T-Mobile Netherlands LG U+ South Korea KPN Netherlands	Tele2 Netherlands Singtel Singapore StarHub Singapore	SK telecom South Korea Salt Switzerland Ooredoo Qatar	Vodafone Netherlands M1 Singapore
4G Availability	LG U+ South Korea	au Japan SK telecom South Korea Jio India NTT DoCoMo Japan	KT South Korea Rakuten Japan Smartfren Indonesia	SoftBank Japan Verizon USA T-Mobile Netherlands	Vodafone Netherlands Tele2 Netherlands T-Mobile USA

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All data presented in this presentation is available upon request.