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• (1115)

[English]

The Chair (Mrs. Sherry Romanado (Longueuil—Charles-LeMoine, Lib.)): Good morning, everyone.

I now call this meeting to order.

Welcome to meeting number 26 of the House of Commons Standing Committee on Industry, Science and Technology.

Today's meeting is taking place in a hybrid format, pursuant to the House order of January 25, 2021. The proceedings will be made available via the House of Commons website. Just so you are aware, the webcast will only show the person speaking rather than the entirety of the committee.

To ensure an orderly meeting, I'd like to outline a few rules to follow.

Members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. You have the choice, at the bottom of your screen, of floor, English or French. Please select your preference.

Before speaking, please wait until I recognize you by name. I will remind you that all comments by members and witnesses should be addressed through the chair. When you are not speaking, your microphone should be on mute.

As is my normal practice, I will hold up a yellow card when you have 30 seconds left in your intervention, and a red card when your time for questions has expired. Please respect the time allocation so that I don't have to cut you off.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Friday, March 19, 2021, the committee is meeting today to start a study on the proposed acquisition of Shaw by Rogers.

I'd like to now welcome our witnesses. From Rogers Communications, we have Joe Natale, president and chief executive officer; Dean Prevost, president, connected home and Rogers for business; and Victoria Smith, director of community partnerships, network expansion.

From Shaw Communications, we have Brad Shaw, executive chair and chief executive officer; Paul McAleese, president; and Chima Nkemdirim, vice-president, government relations.

Each witness will present for up to six minutes, followed by rounds of questions. We will try our best today to complete four rounds of questions.

With that, I invite Rogers Communications to present.

You have the floor for six minutes.

Mr. Joe Natale (President and Chief Executive Officer, Rogers Communications Inc.): Thank you.

[Translation]

Hello everyone.

[English]

Good morning, Madam Chair and members of the committee.

My name is Joe Natale, and I am president and CEO of Rogers Communications.

[Translation]

Thank you for giving me the opportunity to speak to you today.

[English]

I am joined by Dean Prevost, president, connected home and Rogers for business; and Victoria Smith, director of community partnerships.

As members know, on March 15 we announced the proposed union of Rogers and Shaw. Both companies were founded more than 50 years ago by two of Canada's greatest entrepreneurs, Ted Rogers and JR Shaw. They were pioneers who shared a commitment to innovation and to building a better Canada.

Today I am proud to say that these commitments are deeply reflected in the cultures of both companies. Canada's networks are among the world's best, a fact that has served us well during the pandemic, as Canadians and businesses were able to quickly pivot to an online world.

We didn't get there by accident. It is a result of billions of dollars of investment from Rogers, our industry, and government partners.

Canada must take the next step now to secure our position as a global technology leader and to ensure our long-term economic competitiveness.

[Translation]

The time has come to move on to the next stage.

[English]

That requires a new multi-billion dollar generational investment.

Today, Rogers and Shaw are committed to building this future for Canadians. By coming together, we will accelerate the delivery of critical 5G service and create a new coast-to-coast Internet provider, combining Rogers' and Shaw's operational expertise and quality assets. This will increase competition and continue the current downward trend in prices, while network performance capabilities and coverage will dramatically improve. A recent study using StatsCan data showed that wireless prices have dropped 25% since 2016. The broader rollout of 5G networks will continue this positive trend.

The combined company, with our complementary networks, will deliver 5G services much more quickly and more widely than either company could achieve on its own. The new national fibre network will enable stronger competition and greater scale for large enterprise and government customers, which is needed for Canada's competitive position. Upgrading our digital infrastructure and accelerating digitization is critical for us to remain competitive. It will create jobs, diversify our economy, strengthen our innovation sector and fuel Canada's economic recovery.

Investment in Canada will increase through this combination. It has to. In order to keep pace with consumer, educational and business demand for speed and capacity, the pace for investment is accelerating. Today, both companies invest billions of dollars annually in our networks, and the underlying investment in 5G will only go higher as this technology continues to roll out across the country. This is a big task for both companies, but the combined company will be up for the challenge.

This transaction comes at a critical time for the west. As part of the transaction, Rogers is committing to investing \$2.5 billion to build 5G networks in western Canada, which will enhance western competitiveness, offer consumers and businesses more choice and improved services, and help close the digital divide between urban and rural communities faster. These investments will create up to 3,000 net new jobs across western Canada, including 500 jobs at a new national centre of technology and engineering excellence in Calgary.

Today, there are two million households in Canada that don't have access to high-speed Internet. As part of our growing investments, Rogers will commit an additional \$1 billion to create the new Rogers rural and indigenous connectivity fund dedicated to connecting underserved communities across western Canada. The opportunity to learn online or participate in the digital economy should not be decided by your postal code. As part of this process, we will consult with indigenous communities to help create new indigenous-owned and operated Internet service providers to leverage our expanded networks and create sustainable local connectivity solutions.

Finally, we will extend our Connected for Success program nationally, delivering low-cost, high-speed broadband to low-income Canadians, including seniors receiving guaranteed income supplements, residents in rent-geared-to-income housing and individuals

receiving disability benefits anywhere our combined company offers Internet services.

In summary, we are committed to doing our part to set the table for future generations of Canadians and prepare us for our digital future. The transaction comes at a significant inflection point for Canada and is critical to enabling the investments needed to make national 5G a reality and to close the digital divide.

• (1120)

[Translation]

Together we will build a better Canada.

[English]

Thank you for your time.

The Chair: Thank you very much.

We'll now turn to Shaw Communications.

Mr. Shaw, you have the floor for six minutes.

Mr. Brad Shaw (Executive Chair and Chief Executive Officer, Shaw Communications Inc.): Thank you so much.

Good morning, Madam Chair and committee members.

My name is Brad Shaw. I am executive chair and CEO of Shaw Communications. I am joined by Paul McAleese, our president, and Chima Nkemdirim, our vice-president of government relations.

We are pleased to be here today to discuss Shaw joining with Rogers to build a bright and bold future for Canada. In 1971, my dad staked his future on bringing a new cable TV service to a small community near where I was born—Sherwood Park, Alberta—so our neighbours could have real choice in what they watched on TV. I will just let you know that we did start with three channels when we launched our service, so we had a lot of choice there.

Since then, our customers have been the guiding force for our family, our board, and our dedicated team of employees. Our customers are also the guiding force behind the transaction we're talking about here today. Shaw has passionately provided Canadians with cable and satellite TV, phone, Internet and, more recently, wireless services. That passion has been backed by tens of billions of dollars of wireline and satellite investment over the past five decades, and over \$7 billion of wireless investment over the past five years.

We are incredibly proud of what we have built and how we have connected Canadians. However, as we look ahead, we see our economy and country at a turning point. We need a new approach. We have to address the scale needed to build the networks of the future. In order for Canada to compete in the digital era, all Canadians, regardless of where they live, need connectivity that leads the world in coverage, resilience, and innovation. This is critical for economic and job growth, as well as for long-term access to the best and most affordable options for consumers and businesses.

Canada's future success depends on a forward-looking approach to connectivity. We need to bridge the digital divide to connect underserved rural and indigenous communities in the west, but we also need to build out a new 5G platform. This is an investment challenge of unprecedented scale. We cannot look backwards, as we might have worked in the past. As we look forward, it is clear that Shaw cannot build what Canada needs on our own. By joining forces with Rogers, I am confident that we can create something extraordinary for Canada.

Over the past several decades, Shaw and Rogers have built powerful cable networks using similar technologies in distinct geographies: Shaw in B.C., Alberta, Saskatchewan, Manitoba and northern Ontario; and Rogers in Ontario, New Brunswick and Newfoundland. Joining these networks through this [*Technical difficulty—Editor*] provider with the scale necessary to invest in the next generation of converged networks that we need for our future and Canada's future.

This transaction will drive higher levels of investment across the country, but especially in those parts [*Technical difficulty—Editor*] economically. Combining our companies' unique complement of wireline, satellite, wireless and Wi-Fi assets kick-starts the investment and innovation we need to accelerate and expand to reach 5G and other next-generation networks in the west.

On top of that, the transaction will combine two incredibly talented teams of people. Together, we will be able to compete more effectively and deliver so much more to Canadians than we could if we stayed apart. Competition will intensify, with Shaw and Rogers now able to leverage a national platform. In fact, in recent days, we have already seen certain of our competitors going to the capital markets to raise money to accelerate investment in broadband and 5G.

- (1125)

The entrepreneurial spirit that defines the west is firmly rooted in my family, and in our company's DNA. As we were considering this step, it was very important to me and my family that the combined company have a strong presence and commitment to the west and to Calgary. This commitment is [*Technical difficulty—Editor*] very early on in this process.

For over 50 years in this business, we have cherished every customer we've had. Combining with Rogers is the best path to ensure that my family's legacy continues to benefit our customers, our employees and communities for decades to come. Every Canadian will benefit from the better, broader and more competitive connectivity that our combined company can provide, especially in underserved communities.

Just as we are so proud of what our company employees have built, we are equally proud to join forces with Rogers. This is a natural, logical step forward for our company, our employees, our customers and our country as a whole. We cannot wait to start building for the future together.

Thank you.

The Chair: Thank you very much.

We'll now begin our round of questions. Our first round of questions is a six-minute round. We'll start with MP Poilievre.

You have the floor for six minutes.

Hon. Pierre Poilievre (Carleton, CPC): Thank you, witnesses.

I'd like to begin with Mr. Shaw. First of all, thank you to your family for all you've contributed to Canada and in particular to my province of birth, Alberta, where you, your father and your extended family are legendary.

This is obviously a big development for the industry. I'd like to go through some of the specifics.

First of all, Shaw exercised its right to purchase a discounted spectrum that was set aside in order to promote additional competition. It's a spectrum that is only available to providers other than the big three, which are Telus, Bell and Rogers. The combined entity, which includes Rogers through this union, would then presumably own that spectrum.

What do you propose to do to remedy the fact that the spectrum became the property of Shaw through a set-aside that was supposed to exclude Rogers, but now, under this proposed union, Rogers would possess it?

- (1130)

Mr. Brad Shaw: Thank you for the question.

I'll comment, and maybe Joe wants to add to this.

We sold a lot of assets in media and in data centres and spent about \$6 billion in 2017 to get into wireless. We've spent over \$7 billion the last five years, which has certainly shown our commitment to make sure we were delivering value and choice to Canadians. I think we've actually shown that we have done that.

As we look at this, it is about the future, where we're going and the networks we need to build. Even though we think Shaw has the scale and size to be able to deliver that, we really believe that accelerating investment and providing choice and competition is critically important for Canadians.

Hon. Pierre Poilievre: Thank you, Mr. Shaw.

Are you proposing that the unified enterprise of Rogers and Shaw would continue to own this discounted spectrum, or would it be spun off to another, smaller competitor in order to preserve choice in the marketplace?

Mr. Chima Nkemdirim (Vice-President, Government Relations, Shaw Communications Inc.): I want to point out that there's a very robust regulatory process where ISED will review the transaction and there will be a determination of what should happen with the spectrum.

Hon. Pierre Poilievre: Excuse me, that wasn't my question.

Mr. Shaw, is it your intention that the spectrum would remain part of the unified enterprise, or would it be spun off to preserve competition?

Mr. Brad Shaw: When you look at the two companies coming together, I think it's very important to be able to look at the services, products and opportunities to offer. I truly believe that with these two companies coming together and with the investments that are going to be made, there will be as much competition in the future as there has been in the past.

That's the opportunity here. That's what it will provide for Canadians, especially in western Canada.

Hon. Pierre Poilievre: Thank you, Mr. Shaw.

You mentioned that your company is invested in satellite. Some believe that the future of wireless communications is satellite rather than fibre. Can you comment on whether you are a believer in that view? If so, what do you think the time frame is for that kind of a transition?

Mr. Brad Shaw: Well, listen, I think there's going to be a variety of choice for consumers across, whether it's rural or more urban. Certainly when I look at it, we built a television network with Shaw Direct, not a satellite two-way, but there is an opportunity for many providers, I think, many choices and many competitors in the market.

Certainly, as we look forward, we have an opportunity to grow and build with 5G and expand into rural and remote, but I also think that.... Listen, we love competition, and we love driving choice and innovation. That's what we're here for, those investments. I think there will be a variety of providers as we go forward and, hopefully, we're one that people choose to do service with.

Hon. Pierre Poilievre: Thank you.

Madam Chair, how much time do I have?

The Chair: You have one and a half minutes.

Hon. Pierre Poilievre: The Department of Innovation, Science and Economic Development had a 2019 report prepared for it called "Price Comparisons of Wireline, Wireless and Internet Services in Canada". On page 6, under "International Comparison", it

says, "Canada has the highest or second highest [purchasing power parity]-adjusted prices in all five Level baskets. Prices in France, the UK and Italy are noticeably lower than most other countries."

I'd like to get a comment from anyone, either Shaw or Rogers, about why you think the prices in Canada are higher than the average of our peer group.

Mr. Joe Natale: Mr. Poilievre, let me say first of all that the Canadian market is intensely competitive. Prices have been coming down dramatically over the last number of years. Just in the last 12 months alone, according to Stats Canada [*Technical difficulty—Editor*]. Going back five years, data prices in Canada have dropped 50%.

If you look at the OECD reports that have been published for the 37 member countries and at the CRTC monitoring report and the Wall report put out by ISED, you see that they all come to the same or similar conclusion, which is that Canadian prices, when you look at value received, are roughly in the middle of the pack, which is quite an accomplishment given that we're the second-largest country in the world, with a very low population density.

• (1135)

The Chair: Thank you very much, Mr. Natale.

We will now go to our next round of questions.

MP Jowhari, you have the floor for six minutes.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Madam Chair.

Welcome to all our witnesses today. Congratulations, Mr. Shaw, on becoming a grandfather.

I would like to focus on the investment. Can both Mr. Natale and Mr. Shaw give us an understanding of this? Prior to the merger, what types of investments were your organizations planning, specifically on making sure that we eliminate the digital divide? Also, as a result of this merger, what kinds of investments are planned going forward? As a result of this merger, by the time it goes to review, is there any halt in the investment that both organizations were planning?

Any of you may start.

Mr. Joe Natale: Why don't I begin?

First of all, it's important to understand that in Canada we have two million households that have insufficient, inadequate or no high-speed Internet. In western Canada, that's about 600,000 households. There have been many efforts afoot for the last many years to try to close that divide.

The challenge is strictly one of economics. To connect a home in urban Canada costs about \$3,500. To connect a home in suburban Canada may cost about \$5,000 to \$10,000. To connect a home in rural Canada can cost \$15,000 to \$100,000.

We've been working very closely with all different orders of government, whether it's with the universal broadband fund or the CRTC fund, and with all the different avenues to put our dollars to work with other government dollars to try to close that gap. We have an obligation to close that gap.

Mr. Majid Jowhari: Yes.

Mr. Joe Natale: If there's one thing that COVID has taught us, it's that these services are essential and critical to the future of our country.

Mr. Majid Jowhari: Thank you, Mr. Natale.

I'm trying to be very specific. Prior to this merger, what types of investments were you planning going forward?

Mr. Joe Natale: We spend somewhere in the neighbourhood of \$2.5 million to \$3 million a year on investing in capital, network and infrastructure—

Mr. Majid Jowhari: Is it fair to say that this will continue going forward?

Mr. Joe Natale: That will continue, and in fact grow going forward. The billion-dollar fund that we're creating, aimed at rural and indigenous communities in western Canada, is completely incremental to what we would have done otherwise.

Mr. Majid Jowhari: So none of these investments—

Mr. Joe Natale: As to our ability with 5G in the west, with Shaw and Rogers together we can go further and we can go faster in 5G, right into rural Canada. It would not have been the case with either alone. A lot of that is incremental to what we could have done on our own.

Mr. Majid Jowhari: Let's go to Mr. Shaw.

Mr. Shaw, I'll ask you the same question. How much were you planning to invest in what area, and will it stop or continue as a result of this merger?

Mr. Brad Shaw: I'm going to have Paul start, and then maybe I'll add a few comments.

Mr. Paul McAleese (President, Shaw Communications Inc.): Thank you, Brad.

We spend about a billion dollars a year in capital. About \$300 million of that is in wireless, and \$700 million is in our wireline business, which of course is exclusively in the west. Those investments will continue, but as Joe pointed out, there are opportunities [*Technical difficulty—Editor*] that Shaw would not be able to take advantage of.

The best example of that is probably the rural and remote areas in B.C. and Alberta that are currently being served by fixed wireless, an asset that relies on a series of spectrum bands. This is a collection or portfolio of spectrum that we simply don't have today. The 25-year head start that the incumbents have had on this means that, while we have participated in the recent auctions, we simply don't have the depth of spectrum to be able to provide that product to rural and remote B.C. and Alberta. What that means for many of those communities is that they simply have one carrier, a simple monopoly.

The advantage of this synergistic marriage is that we are able to go to those communities with a product and do so in a very rapid way to give them choice in the market [*Technical difficulty—Editor*]. We also believe that with the benefit of the combination, we'll be able to reach communities that otherwise would not have been served.

• (1140)

Mr. Majid Jowhari: Mr. Shaw, do you want to add anything?

Mr. Brad Shaw: I would add that the combined company can accelerate investment far beyond what each of us could do on our own, and I think that's really one of the exciting stories here. As we know, in the vast country of Canada, we can't get to every rural and remote community. I think this will provide choice and competition that we wouldn't see otherwise.

Mr. Majid Jowhari: Do we really need a merger to make sure that the two organizations are able to align their investments?

Mr. Natale, do we really need this merger to ensure that both investments are aligned? Neither of you is increasing your future investments; you're just combining them to accelerate. Why do we need the merger?

Mr. Joe Natale: It's because together we can do more. Together we can go further and faster. This is a business of scale. This is a business where we spend capital that has a 10-year payback or more, and every day we make decisions about where to put that capital.

This is an opportunity to take the breadth and depth of Shaw's fibre network in the west, combine it with our wireless capability in the west and bring that together to create the best of both worlds. Therefore, for every incremental dollar we spend, the three plus the one can do even more incredible things, mainly aimed at rural Canada and 5G. This is important at this point in time because we're about to make the biggest investment in a generation: \$26 billion will be spent in Canada to deliver 5G.

The Chair: Thank you very much.

[*Translation*]

Mr. Lemire, you have six minutes.

Mr. Sébastien Lemire (Abitibi—Témiscamingue, BQ): My question is for Mr. Natale.

You say it is too early to tell whether the companies will have to cut out some of their activities if they want to get approval from federal regulatory authorities.

If Rogers gets permission to maintain all of Shaw's activities as well as its own, how would that benefit free competition? How would that promote accessibility let alone the affordability of telecommunications services?

[English]

Mr. Joe Natale: Over the course of the next 12 months, we'll be going through three different regulatory processes: the Competition Bureau, to look at the question of competition; the CRTC, to look at the question around licence transfers; and ISED, to look at the question of spectrum of all sorts, set-asides and otherwise.

The Competition Bureau and the CRTC are both public consultations that involve an opportunity for any Canadian to voice their thoughts and views, and through a considered process an outcome will be achieved.

It's hard for me to sit here and speculate a few weeks into the announcement as to how any one of those processes may end up. It'll take the better part of nine to 12 months to get to a conclusion. I will tell you one thing, though. We're going to approach it from the point of view of being thoughtful, being collaborative, and looking at how we solve some of the broader problems that exist within the telecommunications industry.

Two million Canadians don't have access to good Internet services; some have none at all. We have an opportunity to change the affordability equation with our Connected for Success program and doubling that to the entire country where we serve our customers with Internet.

We have a chance to lead the world in 5G. Canada has done well to lead the world in 4G, but here we go again: 5G is a huge investment; 5G will cost 70% more than it did to deliver 4G, and 5G will be at the heart of everything we do in this country, whether it's a small business or all aspects of business as a whole, to deliver that competitiveness.

Together, these capabilities will make a difference. I believe that scale matters, and the ability to bring two teams together with two balance sheets and two capabilities will allow Canada to lead in the future of a digital economy.

[Translation]

Mr. Sébastien Lemire: Thank you for your answer.

This transaction would allow you to become an even more powerful player in the telecommunications industry. In that context, is the idea of you gaining a foothold in Quebec, where Rogers has very little presence, part of your strategic planning?

I will give you an anecdote. I thought Shaw was nothing more than a satellite television provider. When I was researching this transaction, I discovered the scope of Shaw's activities in western Canada. Obviously these activities could also occur in Quebec.

• (1145)

[English]

Mr. Joe Natale: Quebec is a very important home and province for us at Rogers.

We have 3,000 employees and two million customers in Quebec. Quebec was the home of Fido. The Fido team, headquartered in Quebec, now serves Canadians across the country. All the executive functions around Fido support their business on a national basis out of Quebec.

We'll continue to drive the capabilities that deliver 5G and continue to drive opportunities to extend and make the network better in Quebec, as the demands increase as a whole. Quebec is a very important place for us, as I said, with 3,000 team members who call Quebec home. We are an active member of the community, and it's a place where we intend to grow as well.

[Translation]

Mr. Sébastien Lemire: Thank you for your answer.

The economist Vincent Geloso said that it was not very likely that another Canadian company will enter the Rogers market and compete with it, especially in western Canada, given the massive investment that would be needed to set up telecommunications cables. What do you make of that?

[English]

Mr. Joe Natale: I'm not sure of the reference to the point, but I would say to you that.... Canada is a wonderful country. We're blessed with a lot of national resources and capabilities, but Canada is one of the most difficult countries in the world to cover with network technology.

Across five time zones, we have the second-largest geography on the planet; we have one of the lowest population densities on the planet. Geography and population density are at the heart of what it takes to develop the types of networks we have in this country. Through the regulatory environment over the last many decades, we've been able to achieve a place where we have some of the best 4G networks in the world. We're ranked number one or number two on a regular basis.

We have some of the best home Internet networks in the world; we're ranked number one or number two on a regular basis. In fact, during COVID our numbers performed better than almost every other network in the world.

At the heart of it is the ability to invest a little at a time, every year over decades, so we can reach the far corners of this immense country and serve all Canadians with that capability. That takes a huge commitment, a huge scale, and a lot of money.

[Translation]

Mr. Sébastien Lemire: Thank you.

The Chair: Thank you.

[English]

Our next round of questions goes to MP Masse.

You have the floor for six minutes.

Mr. Brian Masse (Windsor West, NDP): Thank you, Madam Chair.

Thank you to our witnesses for being here today. I've worked with some of you over the years, and I appreciate that relationship. There have been lots of positive things that have taken place in the industry, and some challenges as well.

In the presentation that you provided, though, you promised increasing jobs, new investment, lower prices and reaching markets that you wouldn't before, be they aboriginal or be they rural and remote. These are promises that would make a robber baron blush. There are certainly aspects that would indicate some positive attributes, but at the same time, how do you fulfill your plan of efficiencies if you're going in the exact opposite direction of your business plans that you employ right now?

Mr. Joe Natale: Why don't I start, Mr. Masse? Then I would ask maybe Mr. Prevost to comment as well on this topic.

As you would imagine, we've spent a lot of time looking at how two plus two equals five as we bring the two organizations together. At the heart of it is the fact that we both spend a lot of capital on networks and capabilities. By making that capital expenditure complementary versus duplicative, we can go further and go faster. That's at the heart of the synergy. If we're both busy building networks on top of each other in certain parts of Canada, when we bring the two companies together, we can take a portion of one of our networks to be the network for the combined business, and then we can take the money we would have spent on the duplicative network and extend further and faster into rural Canada. That, by definition, creates jobs and that, by definition, makes us a greater competitive force because we have that ability.

• (1150)

Mr. Brian Masse: I appreciate that. I guess I'm not seeing how eliminating a competitor is going to be advantageous in the long run for competition. That's a big issue for me.

With that in mind, with the spectrum auction—I want to make sure this is clear—are you saying that you would keep the Shaw/Freedom Mobile carve-out they got as part of your business operations? I want to ensure that's not going to be spun off as part of your plan to put this to regulators right now. You're going to keep that. Is that correct, yes or no?

Mr. Joe Natale: Mr. Masse, unfortunately, there are very strict rules about what I can say regarding spectrum matters. We're in a very specific quiet period in advance of the upcoming spectrum auction.

What I can say is that we intend to engage openly and constructively with the regulators, including ISED, about every aspect of this merger, including spectrum.

Maybe I'll just leave it at that. At the end of the day, what we want to do is make sure that we have all the tools we need to continue to grow and develop the capability for Canadians and compete on a broader scale.

Mr. Brian Masse: The problem is that this is a big fly in the soup of the next spectrum auction, because now we have undetermined plans about how to go about that.

I've been a big critic about the way Canada has done this. We've acquired about \$22 billion in spectrum auctions without requiring some of it to be used, as opposed to what I would prefer, which is to see lower amounts coming in for the spectrum auction, but higher accountability to lower prices to reach Canadians so you don't have to come up with the capital and do the borrowing that's necessary there.

In your submission right now, you're saying that you would freeze prices for customers, I believe under Freedom Mobile, for three years. Would you freeze prices for your other current Rogers customers as well? Also, I believe data cap was mentioned as well. Are those going to be preserved at the lower end of your plans? Can you comment on anything about those elements?

Mr. Joe Natale: First of all, I think it's important to acknowledge that prices have been coming down in Canada for the last many, many years.

Mr. Brian Masse: Well, they can't go up, that's for sure.

Mr. Joe Natale: Well, Canadian prices sit right in the middle of the pack with respect to any of the analyses done by the OECD, the Wall report, the monetary report, and my goal is to keep driving that affordability. Despite the geographic disadvantage, despite the population density disadvantage and despite the cost of spectrum and equipment in U.S. dollars, etc., we're committed to continue driving prices downward, and 5G will give us the next big opportunity to do that.

Everyone keeps talking about the killer apps around 5G and all the great things that it will do for IoT and mobile edge computing, etc. The first real killer app of 5G is dynamic spectrum management, the ability to make more efficient use of spectrum and therefore bring costs down. By bringing costs down with 5G, we have the opportunity to transfer those savings on to the consumer, and that's been the beginning, the middle and the goal of our industry every step of the way. That's why prices have come down.

Mr. Brian Masse: Thank you.

I only have a couple of minutes, so I'll be really quick with this question, Madam Chair.

I agree that some good things have taken place, and I know it's costly to get to certain areas, but is it not true that you have certain areas where your profit margins are at 44% as well? Is that true?

Mr. Joe Natale: If you look at the true economic profit of Rogers over the last five years, you see that it roughly sits at about 8%, on average, over the last five years. I would say to you that for the first 25 years of wireless, we made no money. We were not cumulative cash flow-positive until about 10 years ago.

In any country, you make more profit and more money in more densely populated areas, and less money in other areas.

The Chair: Mr. Natale, my apologies, but you're over time.

Mr. Brian Masse: Thank you to the witnesses, Madam Chair.

The Chair: Thank you.

We'll now start our second round of questions.

Our first round of questions will go to MP Dreeshen. You have the floor for five minutes.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): Thank you, Madam Chair. Hopefully my feed is coming in okay. I was part of the reason we were a little late this morning, and I apologize for that.

Certainly, I'm looking for adequate rural and remote broadband. Like so many families, friends and so on in rural Canada, here in rural Alberta we've been asking for online education and all these things for a number of years.

My first question is for Rogers. I know your company has made some very impressive commitments to my constituents and for all of western Canada if your merger agreement with Shaw is approved. Of course, one of the wild cards in all of this is the upcoming decision of the CRTC on wholesale access rates. We know it was August 15, 2019 when the CRTC set final wholesale Internet rates to facilitate greater competition and promote innovative broadband services and affordable prices for consumers; but the final rates that were announced were lower than the interim rates announced in 2016 and retroactive to the date on which they were set. The announced rates were 15% to 77% lower than the interim rates.

When the Liberal government's order in council was released in August 2020, it effectively called into question the expert opinion of the CRTC, which had spent six years studying the issue. Then on May 14 of last year, we heard testimony from Rogers, which said, "Should those rates go into effect, there would be a dramatic loss of revenue. This certainly would put pressure on the infrastructure builders and make it more difficult to expand our services."

My question is this. If the CRTC upholds its decision on wholesale access rates or only slightly modifies them, will Rogers uphold the commitments that you've made with respect to jobs, connectivity and investments? Are you prepared to confirm to this committee that you will still follow through on what you've promised?

• (1155)

Mr. Joe Natale: Thank you, Mr. Dreeshen. Why don't I start, and then ask Mr. Prevoist to comment?

You have my word and my commitment that we will make the investments we've talked about in western Canada, around connectivity to rural Canadians, around investment in jobs and 5G.

You're quite right that the interim rates, and then the rural rates, don't make us happy. They sit at about 70% below our cost, so it's very hard to build a network where a reseller gets an advantage that's below the cost of building that network. We've seen different countries across the world where that's happened. The large infrastructure-based providers have slowed down or stopped building, and the last thing I want to do is get into a place where people stop building.

As I said to you, with respect to this coming together of Rogers and Shaw, you have my commitment.

Dean, do you want to spend a quick moment on this topic, because this is something that's near and dear to your heart in your role?

Mr. Dean Prevoist (President, Connected Home, Rogers for Business, Rogers Communications Inc.): Absolutely. As a Calgarian, MP Dreeshen, just south of you, this is incredibly important

to me. The billion dollars we've committed is part and parcel of being a telecom company where building is at the heart of what we do. We design, we build, we operate, we invest and maintain it; and then we go to new territory that we haven't built in and continue to do the exact same thing.

The opportunity here is to extend where we never could have otherwise, to take the money that would move from duplication into addition faster and further than we would have otherwise gone, and to bring added competition to single-carrier communities and new services to communities that have never experienced it before. It's at the heart of who we are.

As a Calgarian, with my family here, my commitment is to build and extend that billion dollars across this province, and across B.C. as well.

Mr. Earl Dreeshen: When you mentioned the billion dollars—and that's where I want to go next—basically you said that these new synergies are expected to exceed a billion dollars annually.

Can you explain exactly what those synergies are, what we can expect to see? Again, the key thing is being willing to commit to that without downsizing. We're looking at the job numbers that are being mentioned, and I'm certainly excited about the new tech jobs that are coming here to use the great mental capacity that we have in this province.

Could you explain to me what you see as the synergies that you're describing on that billion-dollar investment?

Mr. Joe Natale: I'd be happy to do that, Mr. Dreeshen.

Think of it this way. The Shaw family and the Shaw corporation, for over 50 years, have been building fibre throughout western Canada. The Rogers organization, the Rogers family, has been doing the same thing through Ontario, New Brunswick and Newfoundland, the places where we have traditionally been the cable TV and Internet operator. That fibre is incredibly valuable to the future. It's incredibly valuable, not just to the Internet business—

• (1200)

The Chair: Unfortunately, Mr. Natale, we're over time again. My apologies.

Mr. Joe Natale: I'm sorry.

The Chair: I'm going to remind members to please keep an eye on the cards. We're already running late, and I want to make sure that everyone gets their turn.

With that, I will now turn it over to MP Lambropoulos.

You have the floor for five minutes.

Ms. Emmanuella Lambropoulos (Saint-Laurent, Lib.): Thank you, Madam Chair.

My questions are going to go to Rogers as well. A lot of the topics I'd like to cover have already been covered to some extent, but I would like to get clearer answers.

For years, big telecom companies, such as Rogers, have been saying that connections to rural and indigenous communities are projects that are perhaps too capital-intensive to be profitable, so there's been resistance. Even when governments have tried to incentivize this type of infrastructure and have tried to incentivize big companies to do it, the answer has been no, because it's not worth it for the companies.

Now all of a sudden, when you're trying to get an approval for this merger, you're committing to billions of dollars to be put into this type of infrastructure that would connect rural and indigenous communities. I'm wondering what changed and what you can tell us about that convenient timing.

Mr. Joe Natale: Sure. I'll start. Dean, please feel free.... It will also help answer Mr. Dreeshen's question that I went over time on.

Fibre is the backbone of our networks. Whether it's our wireline networks for cable or our wireless networks, they require fibre to work, especially in a 5G world. By bringing the companies together, we get the full benefit of the fibre that has been built by the Shaw organization over the last 50 years, combined with our wireless capability. There's synergy in that. The Rogers organization would spend in the neighbourhood of \$1 billion to \$2 billion over the next many years replicating that fibre. The opportunity here is to leverage that synergy and then reinvest it into going further and going faster overall.

The average capital we look at today is measured in about 10-year payback. That's today's capital, in urban and suburban Canada. In rural Canada, the payback shoots way up, and that has always been the challenge. If we can find ways of driving synergy and reinvesting it in rural, that's a good thing for Canadians, for the future of the industry.

Mr. Dean Prevost: Thank you, Joe.

Let me add that this is on top of what we were already doing prior to the announcement of the combination, in partnership with SWIFT, with EORN, the Eastern Ontario Regional Network, which was announced just over a week ago, and then over a billion dollars that was committed as part of the universal broadband fund. This is all additive to the efforts that we have under way.

Ms. Emmanuella Lambropoulos: Obviously the reason we're here is the competition issue. We would like to see prices drop with regard to Internet and telecommunications in general. It was one of our platform commitments going into the last election, and our government has that as one of its goals.

We've often said that we may be imposing things in the near future, mandating things, and one of those things is that you grant access to smaller providers. You've said in the past that if we were to do [*Technical difficulty—Editor*] investments and invest less in infrastructure on the ones that you are allowing access to smaller companies.

Does that threat still stand at this [*Technical difficulty—Editor*]? If you do offer the best service, why exactly is it a problem for smaller companies, which have to pay you anyway for access, to actually gain access to your networks?

Mr. Joe Natale: We've come to a place in Canada around 4G networks where we have some of the best in the world. That's been based on the premise that if you put your money in the ground and invest in great networks where the payback is 10 years or more—in the case of wireless, it's 25 years—there's an opportunity to get return on that capital.

We have no aversion to reselling parts of our network on a wholesale basis to a provider that might come along with the value proposition as a whole. We take opposition to mandating that resale because, in that particular case, we then change the forward economics of the industry. It curtails our ability to invest in rural Canada. We are the ones who will end up investing in rural Canada; it won't be the resellers. We will have the balance sheet, the capability and the ambition to connect every Canadian or make 5G the focus across every corner of Canada.

Where there have been reseller markets across the globe, they've largely focused in highly, densely populated urban centres. Given the fact that prices have been coming down across all brands, the government's own telecom quarterly report said that prices have dropped 10% to 18% since January 2020.

• (1205)

The Chair: Mr. Natale, my apologies. I'm not sure if you could see me waving, but unfortunately you're out of time.

Our next round of questions goes to MP Lemire.

[*Translation*]

You have two and a half minutes.

Mr. Sébastien Lemire: Thank you, Madam Chair.

I will continue asking Mr. Natale some questions.

Don't you think that in order to get authorization from the CRTC, Canada's Competition Bureau and from Innovation, Science and Economic Development Canada, it would be better to sell Freedom Mobile? Then there would be four wireless service providers instead of the three there are now. As we know, when there are at least four service providers, the prices become more affordable.

[*English*]

Mr. Joe Natale: Thank you for the question.

Of the Shaw corporation's business, 80% is cable, landline, Internet and TV. It's roughly 97% of the company's cash flow. The CRTC will review whether the licence for the cable and Internet business should be transferred to Rogers as part of this proposed merger.

Those businesses really do not overlap in any material way. We are the cable provider in Ontario, New Brunswick and Newfoundland. Shaw is the cable provider in the four western provinces. We will certainly put our thoughts forward with respect to the CRTC, but we fully expect that, as the cable industry has grown up through the process of combination and amalgamation, this is yet one more opportunity to combine for strength and amalgamation.

Bear in mind that even when Rogers and Shaw come together, we would still be smaller than Bell Canada as it relates to the wire-line business. That critical mass and balance sheet will only serve to support the future needs of Canadians.

As it relates to the wireless question, we're open and flexible as to how to best solve any questions the Competition Bureau may have on that front. Once we have a chance to sit down with the Competition Bureau through a public process that will listen to voices from across all corners of Canada, I'd be happy to have a discussion about how to best strike that balance. It's premature at this point to do or say something, when we haven't really started that process in earnest.

[Translation]

Mr. Sébastien Lemire: Mr. Shaw, what do you think of the idea of selling Freedom Mobile as part of the transaction to ensure competition in the market?

[English]

Mr. Brad Shaw: Thank you for the question.

I think Joe said it very well. When we look at what's required going forward, I think when you look at the overall investment and what Rogers is committing into the combined company....

I'm sorry; do I have a red card already?

The Chair: Unfortunately, you do. Hopefully, you can pick it up on the next round.

Our next round of questions goes to MP Masse.

You have the floor for two and a half minutes.

Mr. Brian Masse: Thank you, Madam Chair.

I'll go back to Rogers. With regard to your hostile attempt to take over Cogeco, has the departure from that led to this? It seems that you're in an acquisition stage as a company versus that of one growing through your own operations.

Is that an accurate portrayal? Is Cogeco still on the table, with Shaw now and then perhaps a revisit to Cogeco?

Mr. Joe Natale: Thank you for the question, Mr. Masse.

I want to go back to the strategy discussions at the Rogers' board table over the last few decades, including when Ted Rogers was at that table, up until 12 years ago when he passed. There's been a conversation around deepening our presence in [Technical difficulty—Editor]. That's been a question on the table from the very beginning and the reason for the stake in Cogeco, the reason for always looking at opportunities to go further and go farther. That's why we bought Fundy Cable in New Brunswick and we bought Cable Atlantic in Newfoundland. Having [Technical difficulty—Editor] helps us get the scale to make the investments. This is a scale

business with massive fixed costs, so adding Cogeco or adding Shaw brings those efficiencies with fibre or spectrum and allows us to do things when otherwise that wouldn't have been the case.

We needed to answer the Cogeco question. We held the shares for 20 years. Quebec remains a very important market. The timing of this is not something that was anticipated. The timing happens when the timing happens. The Shaw opportunity came to light in the last little while, and we at Rogers said to ourselves that this is a great opportunity to drive forward on the strategy and deliver the benefits for Canadians and the abilities that such a scale will allow for the future.

• (1210)

Mr. Brian Masse: I'll wrap up there, Madam Chair, because I was over on the last segment.

Thank you to the witnesses.

The Chair: Thank you very much.

We'll now go to MP Généreux.

[Translation]

You have five minutes.

Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC): Thank you, Madam Chair.

I thank the witnesses for being here.

Mr. Natale and Mr. Shaw, earlier you said that communications in Canada was reaching a turning point not only in Canada, but around the world. You are merging your two companies to make them even more productive and more attractive, and to allow them to grow more quickly.

Based on your analysis, what are the key aspects of this turning point that communications is reaching around the around? In other words, we have launched a study into the affordability and availability of Internet services and some witnesses tell us that there will be roughly 100,000 satellites in the sky within 10 to 15 years. Did this factor speed up your decision to merge?

[English]

Mr. Joe Natale: Why don't I start? Thank you for the question.

I would say there is an inflection point right now in Canada and, frankly, across the globe, as 5G will be the biggest generational investment in wireless since the beginning of wireless, and 5G in Canada will [Technical difficulty—Editor]. It will be a 70% greater investment than there was for 4G, and it will lead to greater opportunity. A recent Accenture study said that it will create \$40 billion of additional GDP, 250,000 sustained jobs and 154,000 network-building construction jobs. That's a big move for any country, and that's a big opportunity for us as a nation.

We led the world in 4G. We were only ever second to South Korea. We fought tooth and nail between first and second. Bear in mind that South Korea is the size of New Brunswick, with a population of 51 million people. So we did well in 4G, and our goal is to do very well in 5G, because it means everything to the future of what we can do with that technology—what it means for agrotech, what it means for transportation, what it means for resources, oil and gas, and what it means for health care. The list goes on. We need a modern policy framework and viewpoint that really focus on that opportunity, because in 5G we're not competing with one another; we're competing with other nations and what it means for the future of Canada. Imagine where we would be without 4G in Canada; 5G is a massive opportunity.

As it relates to satellite technology, I would say to you that we'll continue to develop and nurture many technologies: fixed wireless, fibre and satellite. It's going to take an assortment of technologies to solve the problem [*Technical difficulty—Editor*].

[*Translation*]

Mr. Bernard Généreux: You want to add something, Mr. Shaw?

[*English*]

Mr. Paul McAleese: I'll take that on Brad's behalf.

Joe's response was robust. We'll leave it at that. We have nothing to add.

[*Translation*]

Mr. Bernard Généreux: Okay, thank you.

Mr. Natale, did the pandemic influence or at least speed up your decision to merge the two companies?

[*English*]

Mr. Joe Natale: Well, I'll tell you.... The pandemic has taught us a lot. It has taught us a lot about our business and a lot about the importance of our business. It has taught us three things, I think, overall. Number one is that network quality really matters. We saw consumption go up overnight. We saw three years of data consumption in about three weeks in a moment. Canada performed very well.

Number two is that it taught us that our networks are truly some of the best in the world. In the middle of the pandemic, we maintained our rankings: number one and number two in the world for our wireless download speeds; number one and number two in the world for our home Internet speeds. That came directly from PwC.

The third thing it underscored for me personally is.... I got a lot of letters, emails and notes from rural Canadians, from rural mayors, from rural members of government. They were heartbreaking to read because of the fact that they were left behind in this incredible moment, and we have no real tools at our disposal to close that gap. I said to myself that there's one thing I really want to focus on in my career, in the years I have left in my career—I've devoted my whole career to this industry—and that is that we have to do whatever it takes. We have an obligation to do whatever it takes, in partnership with government, to close the digital divide, the connectivity divide in rural Canada and the affordability divide for those Canadians who live in low-income areas and live low-income lives

and don't have what it takes to access the Internet and the capability of the Internet.

Did COVID directly lead to this? I wouldn't say that it directly led to this, but COVID created a context around the importance of scale, the importance of rural and the importance of affordability like no other.

● (1215)

Mr. Bernard Généreux: Thank you.

The Chair: Thank you very much.

Our next round of questions goes to MP Ehsassi.

You have the floor for five minutes.

Mr. Ali Ehsassi (Willowdale, Lib.): Thank you, Madam Chair.

I'll ask Mr. Natale a few questions, if I could.

You were just reviewing for us your activities over the course of the last year. Obviously, it's been quite challenging for all Canadian businesses. What would you say about the profit margins that were announced for Rogers at the end of 2020?

Mr. Joe Natale: If you look at the profit of Rogers, the way that we measure profit, the way that our shareholders measure profit, is based on the return on capital. In a capital-intensive business, it really comes down to—

Mr. Ali Ehsassi: Could you just give us some figures? By the end of 2020, I understand that profit margins for Rogers were 12.2%. Is that correct?

Mr. Joe Natale: Our return on capital last year was 6%. On average over the last five years, it was 8%.

Mr. Ali Ehsassi: Mr. Natale, obviously a lot of Canadians are concerned about the possible acquisition of Shaw. Would you agree with me that less competition should very much concern Canadians?

Mr. Joe Natale: I think the most important factor around competition is having strong players that have the ability to invest in the future with new technologies and new ideas that will become the competitive landscape of the future, and therefore have the ability to invest—

Mr. Ali Ehsassi: But in your opening remarks, you said the Canadian sector is intensely competitive. Did you not say that?

Mr. Joe Natale: It is.

Mr. Ali Ehsassi: So, undermining competition and having fewer players, you would agree with me, can very much be a cause for concern.

Mr. Joe Natale: If you look at the competition in Canada right now.... I'll give you an example. Last year, 4.2 million Canadians changed their wireless provider in the middle of—

Mr. Ali Ehsassi: But you would agree that your company is pretty profitable. Is that correct?

Mr. Joe Natale: I would agree that our company is very competitive, and I would agree that our company—

Mr. Ali Ehsassi: But is it profitable?

Mr. Joe Natale: Yes, it is profitable—6% last year and 8% in the last many years.

Mr. Ali Ehsassi: So, you would agree with me that the reason this acquisition is happening is not because you're really hurting, because you're desperate and because you need to do these things to come up with savings. Is that correct?

Mr. Joe Natale: This acquisition is about looking to the future, not the present.

Mr. Ali Ehsassi: Okay, it's looking to the future.

Looking to the future, would you agree that, as a general rule, Canadians are very much concerned?

Mr. Joe Natale: I think Canadians want the ability to get services that are affordable. They want to see prices continue to come down. They want their telecom service providers to be able to invest in that future and deliver what's next.

Mr. Ali Ehsassi: You keep referring to a study among OECD countries that indicates that in terms of affordability, we're in the middle of the pack insofar as the over 30 OECD countries are concerned. Is that correct?

Mr. Joe Natale: That's correct—and the Wall report and the CRTC monitoring report.

Mr. Ali Ehsassi: Is that something we should be proud of? Are we supposed to say that's just amazing, or do you think consumers have every right to be concerned?

• (1220)

Mr. Joe Natale: I think we're all committed to finding ways of delivering more value and more affordability. I think our Connected for Success program is a great example of something that's very important to us. It does exactly—

Mr. Ali Ehsassi: But connecting to rural areas.... To refresh my memory, I remember in the past you've said that you can't see a business case for that program. Is that correct?

Mr. Joe Natale: It requires a longer return on that business case. Right now, the capital—

Mr. Ali Ehsassi: But you said there was no real business case. In the past you have said that—that in terms of rural connectivity the government is pushing way too hard and there's no real business case. Do you recall having made that statement?

Mr. Joe Natale: There's a business case with government collaboration, as there has been with the universal broadband fund, the EORN initiative, the SWIFT initiative, the CRTC funding. These are real programs that are making a big difference—

Mr. Ali Ehsassi: But you don't recall ever having said in the past that there was no real business case to be made about the govern-

ment's concern about rural connectivity. You have no recollection of that.

Mr. Joe Natale: It's very challenging, on your own, to build a business case for connectivity that requires a 50- or 100-year pay-back. It's very challenging. Now, together with government, with new technologies that exist—because 5G creates a new way of covering rural Canada that didn't exist in the past—that business case just got better because of 5G and what's around the corner.

Mr. Ali Ehsassi: Thank you. My time is up.

The Chair: Thank you very much.

I have a gentle reminder to not talk over each other so the interpreters can do their work.

We'll now start our third round of questions. The first round goes to MP Baldinelli.

You have five minutes.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Madam Chair.

Thank you to the witnesses for being with us today.

I want to build on some of the questioning that took place earlier from some of my colleagues. It essentially revolves around the idea of “Why now?”

Mr. Natale, you talk about the notion of scale and scope and \$26 billion being required to afford that move to 5G. We've heard about the wholesale access rates and the spectrum decisions that are upcoming, so why is this merger required now?

Mr. Joe Natale: The timing of “Why now?” is linked to the Shaw organization and Brad and when they decided to make the decision. What I would say to “Why now?” is that it's because we're at an inflection point. Every generation or so this industry re-ups—every generation or so this industry makes a massive investment in the future.

Then you work your way over the next decade or so to climb out of that investment, and you hope to make the right return. You count on a regulatory framework and consistency around that framework so you can make some money coming out the other end.

We're at the doorstep of that next inflection point.

I would encourage Mr. Shaw and Mr. McAleese to add to that, because I don't want to take away from their time or their narrative.

Mr. Brad Shaw: Thanks, Joe.

I'll have Paul start, and then I can add a little at the end.

Mr. Paul McAleese: Thank you, Brad.

I'll echo Joe's comments. We are faced with an opportunity going forward in 5G that we are challenged by in terms of the depth of spectrum assets we have and the ability to reach rural and remote communities. It's desperately needed, as some of you have commented before. This is a unique moment in time for us, and in combination with when Brad and the family looked to trade in the asset, essentially, for equity in Rogers, this felt like the right time.

Mr. Tony Baldinelli: Thank you.

Mr. Natale, we're talking about use of words like the importance of scale and strong players and \$26 billion required for this investment in 5G, and you're still talking about the need for robust competition. At the same time, when you're talking about strong players and scope and scale, could you not see further consolidation happening in our sector, as opposed to increased competition?

Mr. Joe Natale: It's hard to speculate on what might happen to the future of the industry over time. This is a question that has been debated in the telecom industry for a very long time. It has been debated around the notion of foreign ownership. Do we just open up the border and let U.S. come in and buy out Canadian telecommunications providers? These are broader questions that have a lot to do with [*Technical difficulty—Editor*]. What is it with respect to sovereignty and security in a nation? How many players are enough, etc.?

At the heart of it, in any country in the world where you have a number of strong players with the ability to invest and they can go toe to toe, that's the greatest source of competition: strong players that can go toe to toe. [*Technical difficulty—Editor*] Shaw and Rogers will be far stronger, far more capable and can go much further toe to toe, whether it's building out or going right up against the competition. I believe that in my heart.

I look at competitive intensity with my team every Monday and Tuesday for the [*Technical difficulty—Editor*] in a sort of “what happened this weekend?” discussion. I will tell you that every weekend it's a big fight for the next customer, and the strength of the company matters in terms of that fight.

• (1225)

Mr. Tony Baldinelli: Thank you.

Also, quickly, in terms of the announcement and the impressive investment decisions—\$6.5 million into western Canada and \$2.5 million of that into 5G specifically—are those investment decisions contingent on Shaw retaining its 5G carve-out and its ability to take part in the upcoming spectrum auction?

Mr. Joe Natale: Mr. Baldinelli, I really can't comment on anything to do with the upcoming spectrum auction. I would say to you that those are bona fide commitments based on this transaction receiving approval, and they're things that we believe really matter to the future of Canada and of western Canada especially.

Mr. Tony Baldinelli: That's great. Thank you.

Do I have any time, Madam Chair?

The Chair: You have eight seconds.

Mr. Tony Baldinelli: Okay. Thank you, and thank you to our witnesses.

The Chair: Thank you very much.

Our next round of questions goes to MP Erskine-Smith.

You have the floor for five minutes.

Mr. Nathaniel Erskine-Smith (Beaches—East York, Lib.): Thanks very much, Madam Chair.

To summarize what I've heard so far, I've heard that the deal will accelerate investments to expand your networks to rural and remote areas, which you were largely, from what I understand, already

planning to make. You've also said, though, that it will improve competition in the long term, and I have to admit that I find that particular submission to be a confusing one.

Mr. Shaw, in a brief submitted to this committee on January 15 of this year, Shaw stated that “regional facilities-based competitors—Shaw, Videotron, and Eastlink—are rapidly disrupting the dominance of the Big 3...and driving unprecedented levels of affordability and choice for consumers.” It went on to say, “Freedom's entry has shifted the market dynamics, causing the Big 3 to drastically reduce coverage fees and offer significantly more data for much lower prices.”

In this deal, we lose that competition and disruption, and we lose a pressure towards affordability. If we take your past statements of January of this year at face value, shouldn't we expect a negative impact on affordability of telecommunication services in this country if this deal goes through?

Mr. Brad Shaw: I'll start, and maybe Paul can add to it.

I think, certainly, as we look.... As an entrepreneurial family and company, you're always looking forward and you're looking to the future. I think that for all the moves and our commitments that we've made up until now, we certainly have driven competition, driven choice and driven a lot of value for Canadians, but as we look at it, we say “Wow, how do we really make sure we're prepared to make the right investments?” I think, as Joe has said, that the combination of these two companies will drive unparalleled investment as we go forward—

Mr. Nathaniel Erskine-Smith: I'm not speaking to investment. I'm speaking to affordability on price. If you could restrict your comments specifically to price, isn't this a net negative in driving...? We're going to lose competition that has previously driven down prices, in your own statement.

Mr. Brad Shaw: Well, I truly believe that.... Listen, we all like to win and, in this country, I think Shaw has proven that it's willing to do anything with innovation, customer choice and value. I think Rogers has been the same. I think the combination, with a stronger competitor in Canada, will drive value, choice, innovation and new services for both business and consumers—

Mr. Nathaniel Erskine-Smith: But not lower prices.

Mr. Brad Shaw: Well, [*Technical difficulty—Editor*].

Mr. Nathaniel Erskine-Smith: You think a lack of a competitor will drive lower prices, despite previous statements from January of this year that say that increased competition has in fact lowered prices. Now a lack of competition will do the same thing.

Mr. Brad Shaw: No, I just think.... Listen, with the amount of investment and what we're focused on to provide more competition on rural and remote and for all Canadians, I think for sure, you're going to.... We want to gain market share. We want [*Technical difficulty—Editor*] so I think with that, you're going to continue to make sure that you do the right things to provide that choice and to provide that value.

We're not about to sit there and go, "Wow, how do we raise prices to take less market share?" How do we get that return on that 10-year cycle of capital? How do we make sure that we make the right choices as this joined company to create new opportunities for Canadians and new value and new choice—

• (1230)

Mr. Nathaniel Erskine-Smith: Let's talk about return on value for consumers and for the Government of Canada, because it has been a long-standing policy, not only of Liberal governments but of Conservative governments, over the past decade to really encourage a fourth wireless carrier to ensure that we have competition and that prices are driven down.

There is a financial cost to the government in restricting the auction rules. I think you'd agree with that. The government lives with that cost in order to increase competition and benefit consumers. However, if the government subsidizes smaller regional players like Shaw at auction, only to see those same players subsequently acquired by one of the big three, isn't the government really subsidizing you, your shareholders and executives as you cash out?

Mr. Brad Shaw: I'll ask Chima to comment and then I'll add some comments after.

Mr. Chima Nkemdirim: MP Erskine-Smith, one thing I'll point out is that at Shaw we're really quite proud of what we've done on wireless since we entered the market in 2016. Since that time, with the acquisition of Wind Mobile, the spending on spectrum and the investment in the network, we've spent over \$1 billion. As of today, though, Freedom is still not free cash flow-positive.

During that time, we also went from five cities to 30 communities. However, there are still primarily 30 urban centres in western Canada, so when we take a look at the need for rural connectivity and the investments required to bring in 5G, we see that it's a huge commitment and a huge undertaking.

Mr. Nathaniel Erskine-Smith: I do appreciate that 5G is a huge undertaking. That doesn't respond to my question, though.

I have 30 seconds left, so I will ask my last question.

The Competition Bureau has said, "Where the Big 3 face a wireless [competitor], prices are significantly lower." It has gone on to say, "Wireless disruptors offer the most promising path forward. They drive lower prices, greater choice and increased levels of innovation in Canada".

If the Competition Bureau says the deal can go through but that, at a minimum, you have to spin off your wireless business, is it still a deal you're going to move forward with?

Mr. Joe Natale: First of all, we will work very closely with the Competition Bureau to find a solution to whatever it deems is the appropriate path forward. However, I can't comment any further on what we will or will not do until we get into a room with the Competition Bureau and go through its public process, where others will have a chance to offer their views and opinions on the state of competition in Canada.

I can tell you that we're committed to competition and the intensity and affordability that it delivers. It's been that way from the beginning.

The Chair: Thank you very much.

Mr. Nathaniel Erskine-Smith: Thanks very much.

[*Translation*]

The Chair: Mr. Lemire, you now have two and a half minutes.

Mr. Sébastien Lemire: Thank you, Madam Chair.

My question is for Mr. Shaw and it follows on that of my colleague, Mr. Erskine-Smith.

I am also wondering about the chronology of events. On January 15, barely two and a half months ago, you submitted a brief to our committee on the accessibility and affordability of telecommunications services. In that brief, you said that, "regional facilities-based competitors—Shaw, Videotron, and Eastlink—are rapidly disrupting the dominance of the Big 3 (the three major providers)—Rogers, Bell, and Telus—and driving unprecedented levels of affordability and choice for consumers." In other words, this benefits consumers.

In light of that statement, what would be the repercussions of the proposed transaction? I would ask you to focus your answer on cellular telephones and wireless telephony because we have already had answers on cable technology.

[*English*]

Mr. Brad Shaw: I'll have Paul start and then I can add to that.

Mr. Paul McAleese: Thank you, Brad.

We believe that Canada needs dynamic competition, not a magic number of competitors. The test here really needs to be about how the market is performing.

As you've heard today from a number of witnesses, there has been a significant and rapid decline in the cost of cellular service across Canada. As much as I would love to take credit for that and suggest that Freedom has been solely responsible, the truth of the matter is that all carriers have had a significant role in driving new [*Technical difficulty—Editor*]. Telus was the first to launch \$99 unlimited talk and text for a year, letting limited-use subscribers have a much more affordable way into the sector, and Rogers—led by Joe over the last number of years—was the first to successfully market [*Technical difficulty—Editor*]. I think 2.5 million people have enthusiastically signed on to that plan. Today they are receiving extraordinarily strong value, the peace of mind that comes with no overage fees and, I suspect, very high customer satisfaction.

It is not simply a matter of how many carriers are in the market, but in fact what they're doing in that market.

[*Translation*]

Mr. Sébastien Lemire: I'm going to have to stop you there, because I'd like to ask you a follow-up question regarding the chronology of events.

Did you decide from the outset to put all your eggs in the Rogers basket? Did you consider other factors, such as Eastlink or Videotron's presence in the wireless sector, with regard to selling your assets?

• (1235)

[*English*]

The Chair: Please respond very quickly.

Mr. Brad Shaw: I would say that the family, after 50 years in business, was very serious about looking at all options [*Technical difficulty—Editor*] between Rogers and Shaw is the best choice going forward.

The Chair: Thank you very much.

Our next round of questions goes to MP Masse.

You have the floor for two and a half minutes.

Mr. Brian Masse: Thank you, Madam Chair.

I have deck upon deck, a couple of trees' worth, from Shaw over the years, advocating for carve-outs and for spectrum set-asides and other things to be successful, to be the fourth player to provide that competition, so this seems to be quite a drawback.

Would you not agree, Mr. Shaw, that [*Technical difficulty—Editor*] Canadians to make sure that the fourth competitor would actually evolve? This seems to be a little bit of, I guess, a slap in the face for decades of strategy here to actually provide more competition. I don't know how we can take one of the four out—any of the four—and then assume that there's going to be more competition.

What do you have to say about all that investment and time that have gone into the policies you have advocated for over a decade?

Mr. Brad Shaw: I will ask Paul to comment, and then I can comment after. Thank you.

Mr. Paul McAleese: Thank you, Brad.

Mr. Masse, the government's spectrum policy has very sensibly evolved over time. I would briefly remind the committee that the history of this evolution is noteworthy here. The birth of this industry, back in the early mid-1980s, was able to take place because the government at the time provided free spectrum to the regional telcos, as well as to what at the time was Rogers Cantel, to move forward and basically birth a new industry, an industry that we all are incredibly grateful for. I think everyone in this committee has a phone on their desk or in their pocket today that they rely on every day.

That spectrum policy enabled that initial birth of this industry, and that policy—

Mr. Brian Masse: And that was—

Mr. Paul McAleese: I'm sorry. Go ahead, Brian.

Mr. Brian Masse: I guess that's the thing. Now it's all messed up with the timing of this for the next 5G spectrum. This is just.... The timing couldn't be worse.

Mr. Paul McAleese: If I could.... I won't speak to this particular auction because of the restrictions around it, but over time policy shifts based on what the objectives of the government of the day are and what the objectives of that particular spectrum band are.

It is not, in our view, a conflict at all. The timing is what it is. We believe that over the course of the last number of years, the auctions have come forward in a way that has supported what we have today, and the country is in a far better place for it.

Mr. Brian Masse: Thank you, Madam Chair.

The Chair: Thank you.

Our next round of questions goes to MP Poilievre.

You have the floor for five minutes.

Hon. Pierre Poilievre: Thank you very much.

Mr. McAleese, a moment ago you were saying that you don't think Freedom played an important role in reducing prices, but Shaw actually said the contrary, as my colleague pointed out earlier: "Freedom's entry has shifted the market dynamics, causing the Big 3 to drastically reduce coverage fees and offer significantly more data for much lower prices."

Now you say the opposite. In fact, you almost verbatim said the opposite of what your company said not so long ago. Why the contradiction?

Mr. Paul McAleese: I don't think it's a contradiction, Mr. Poilievre. I said that we were not solely responsible for the change in pricing [*Technical difficulty—Editor*]. There were consumer pain points that, over the last number of years, Freedom has pointed out and that, frankly, the incumbents have reacted to in a way that essentially has changed the facts of where we are. The market has absolutely changed.

While there are areas where we have been able to apply pressure and make changes, there are many areas—in fact, probably more areas—where the incumbents have brought forward new pricing strategies and new opportunities for Canadians to access this.

Hon. Pierre Poilievre: Yes, but not long ago you said that the reason for that was Freedom Mobile existing as a fourth competitor in the marketplace, so you are contradicting yourself in the sense that you said that a fourth competitor has forced the Big 3 to lower prices. Now you're downplaying the importance of a fourth competitor in the delivery of low prices to customers.

Mr. Paul McAleese: Mr. Poilievre—

Hon. Pierre Poilievre: At the end of the day, would you say that having the fourth competitor lowers prices?

Mr. Paul McAleese: If I could respectfully disagree.... Those comments were made in the context of support for facilities-based carrier builds. I think those comments can coexist.

• (1240)

Hon. Pierre Poilievre: Right. That wasn't my question.

Do you believe a fourth carrier reduces prices?

Mr. Paul McAleese: I believe a dynamic, competitive environment reduces prices.

Hon. Pierre Poilievre: The question, for the third time, was this: Do you believe that a fourth [*Technical difficulty—Editor*] reduces prices, yes or no?

Mr. Paul McAleese: This is all situational, Mr. Poilievre.

Hon. Pierre Poilievre: Do you believe Freedom's entry [*Technical difficulty—Editor*] dynamics and caused the big three to drastically reduce average fees and offer significantly more data for lower prices? Do you believe that to be true?

Mr. Paul McAleese: I believe we had a degree of influence over that. I also believe that they have taken initiative on their own to recognize there are opportunities to go to market.

Hon. Pierre Poilievre: Right, that wasn't my question. My question is whether you believe that statement to be true. Do you?

Mr. Paul McAleese: I believe [*Technical difficulty—Editor*] we had a role in it.

Hon. Pierre Poilievre: Okay. This was a statement from your own company from only a few months ago.

Mr. Paul McAleese: In the context of supporting facilities-based builds....

Hon. Pierre Poilievre: Right, okay.

Can you please provide us with a comprehensive list of all the overlapping services that Shaw and Rogers currently provide?

Mr. Paul McAleese: Off the top, it would be primarily in the wireless sector. There is very little overlap on the wired LAN side, no overlap on the Shaw Direct satellite side, and none, of course, on media, so it would be exclusively, I would think, in wireless and maybe a small amount in the business segment.

Hon. Pierre Poilievre: In which markets do those overlaps currently exist?

Mr. Paul McAleese: They are both licensed to provide cellular service, which at this point would be Alberta, B.C. and Ontario.

Hon. Pierre Poilievre: That's Alberta, B.C. and Ontario. All other things being equal, if you two become one, then those markets would have one fewer option for the customers in wireless. Is that correct?

Mr. Paul McAleese: That is the math of it, yes.

Hon. Pierre Poilievre: Do you believe that less competition leads to higher prices?

Mr. Paul McAleese: I believe that you need a dynamic, competitive environment to continue to support a dynamic, competitive pricing structure.

Hon. Pierre Poilievre: Okay, dynamic and competitive will give us dynamic and competitive. Will going from four to three equal dynamic and competitive?

Mr. Paul McAleese: It absolutely can. We've seen this in other markets, including looking south, where there essentially has been a move from four to three in the course of the last year and, by any

objective standard, the U.S. market is both competitive and affordable.

Hon. Pierre Poilievre: Do you think the existence of a fourth player in many of the markets, or the biggest markets in the country, has brought prices down?

Mr. Paul McAleese: Over the course of time, all the carriers have recognized that, in order to grow penetration and move into the 5G world, there has been opportunity to adjust price.

Hon. Pierre Poilievre: Finally, if I could just ask—

The Chair: Unfortunately, Mr. Poilievre.... Did you want to ask them to table those documents?

Hon. Pierre Poilievre: Yes. I did put you on the spot, Mr. McAleese. If you and Rogers could table a full list of all overlapping services that the two companies have, that would be great.

Mr. Paul McAleese: We'd be happy to. Thank you, sir.

Hon. Pierre Poilievre: Thank you.

The Chair: Thank you. If you could make sure that gets to the clerk, we'll make sure it is circulated among committee members.

Our next round of questions goes to MP Jaczek.

You have the floor for five minutes.

Ms. Helena Jaczek (Markham—Stouffville, Lib.): Thank you, Madam Chair.

Thank you to the representatives from Rogers and Shaw for being here.

I think we are all wrestling with the fundamental question of what Mr. Natale said in his opening statement, that this acquisition of Shaw by Rogers is going to lead to increased competition. In essence, many of my colleagues have pointed this out. David Olive, in the Toronto Star on Saturday, March 27, said, "Mostly for lack of competition, which this deal would further reduce, Canadians pay some of the highest fees for telecom services in the world."

Mr. Natale, when you said that this deal would lead to increased competition, who are these competitors?

Mr. Joe Natale: First of all, MP Jaczek, I'd be happy to submit to you the OECD reports, the Wall report and the monitoring report, which all say that Canada fares very well with respect to the other 37 countries in the OECD and that we're right in the middle of the pack with respect to affordability and pricing, yet we have one of the most difficult countries in the world to provide telecom services across, as a whole—

• (1245)

Ms. Helena Jaczek: Yes, Mr. Natale, could you just tell me who [*Technical difficulty—Editor*] increased competition?

Mr. Joe Natale: First of all, if you look at the consumer in western Canada, for example, you see the scale of Shaw's fibre footprint, the scale of Rogers [*Technical difficulty—Editor*] compete more broadly, more intensively in western Canada. More than ever this—

Ms. Helena Jaczek: With whom, Mr. Natale?

Mr. Joe Natale: The largest player in western Canada is Telus, and Bell is also in western Canada. In the case of Telus, they have both a residential business and a wireless business. Together, Rogers and Shaw would have strong capability in both residential and wireless businesses. We'd be far better matched to compete head-on with Telus in terms of the consumer market.

Rural Canadians, as you heard earlier, have either no Internet or very poor Internet, or only one provider. By the two of us coming together and the ability to put our balance sheets together and spend more capital, we can work hard to close that gap with the 600,000 rural Canadians who have inadequate or no Internet. In markets where they'll get Internet for the first time, and also in markets where they only have one provider, we will be that next provider from that perspective. That also includes rural small businesses.

With the business market as a whole, when you look at medium and large businesses and the largest governments in the country, you see that we really don't play in that market—neither does Shaw. That market pretty much belongs entirely to Bell Canada or to Telus. We've been out of that market because we don't have a national footprint. Any time we pitch up for the likes of the network for a major bank or for a major store, distribution chain, or for anyone who needs facilities across the country, we're at a competitive disadvantage because we don't have the network.

I can keep going, but the other thing—

Ms. Helena Jaczek: I would prefer you didn't, because it's my time.

You're not talking about any potential new entrants. You're still talking about Bell, Telus and the reconfigured Rogers.

Mr. Joe Natale: If you look at last year, MP Jaczek, you would see that 4.2 million Canadians changed their wireless provider; 90% of them moved to one of the three large national players. That says there's a very competitively intensive market in Canada, in all markets across the country, and that is not going to be lessened because of this change. If anything, it will be intensified.

Last year, there were over a thousand price changes in the market, driven by any number of the players, driven by the large national players. Every week, people are fighting hammer and tongs for that next customer, especially as immigration in Canada has been lessened through the COVID period and we haven't had the same number of customers to try to attract.

The competitive intensity will not change. In fact, it would only get greater because of the capabilities of both the Shaw and the Rogers organizations.

Ms. Helena Jaczek: The jobs that you have committed to are apparently going to be additional jobs. Won't it simply be that Shaw employees are relabelled as Rogers employees? Where do these extra jobs come in?

Mr. Joe Natale: These extra jobs come with the fact that we need to grow our business to expand into rural Canada, to deploy 5G. These are net new jobs.

The Chair: Thank you very much.

We will now start our fourth round of questions. We'll try to complete that round. Our first round of questions goes to MP Dreeshen.

You have the floor for five minutes.

Mr. Earl Dreeshen: Thank you very much.

In the discussions we've had, Mr. Natale, you were talking about major banks and the issues that you have when you're trying to expand into other parts of the country. We've talked about employment numbers.

What business and operational functions will Rogers' move to Calgary amount to? Of course, there are some fantastic head offices there too, if you happen to be interested. Would you make a quick comment on what those business and operational functions will be that you will be bringing to Calgary?

Mr. Joe Natale: Thank you, MP Dreeshen.

I'm going to ask Dean Prevost, who is one of the executives on my table and who runs two of our businesses from Calgary, to talk about what he's going to do to help support the future of workforce capability and skills within his community.

Mr. Dean Prevost: Thank you, Joe and MP Dreeshen.

Let's start with what will happen as we begin to build connectivity and capability into rural, indigenous and remote communities. It begins with a design-build engineering capability. Following quickly behind are permanent, high-paying jobs to run the operations, the maintenance, and all of the expansion activities for services that go on top of it. It really runs the gamut.

That's in addition to making Calgary a centre for engineering excellence, which would include full network capabilities, full software design engineering, AI and virtualization capabilities in that space—quite exciting, high-paying jobs in the city and in all the communities where we roll out our network in order to reach rural, remote and indigenous Canadians.

• (1250)

Mr. Earl Dreeshen: Thank you. I'm sure you'll be doing as good a push as you can, Mr. Prevost, to get the head office in Calgary, as well.

On the other part of it, I'm wondering what the time frame is for expanding rural broadband access into Alberta. How much of that billion dollars, for example, would be allocated to rural communities in central Alberta?

Mr. Joe Natale: I'm going to ask Victoria Smith, who hasn't had a chance to speak. This is very much her primary responsibility for us.

Victoria, can you talk about your role in terms of the network expansion and the billion dollars of net new investment?

Ms. Victoria Smith (Director, Community Partnerships, Network Expansion, Rogers Communications Inc.): Thank you, Joe. I'd be happy to.

This is [*Technical difficulty—Editor*] investment for rural, remote and indigenous communities, which is something I'm very passionate about, coming from a small town on the shores of Lake Huron myself. I think there's only one way to do this, and that's through consultation and collaboration with communities.

We've just been through a very big round of funding with the universal broadband fund. We're seeing the connectivity landscape shift in real time. It's really important that we get out on the ground. We've just hired a team of people who are [*Technical difficulty—Editor*] areas to get out there and start talking to communities more about what their connectivity landscape really looks like or doesn't look like and what their digital aspirations are.

My counterparts at Shaw certainly have some great relationships in these communities, as well. We're really looking forward to working with them, learning more and seeing what we can do.

Mr. Earl Dreeshen: Thank you very much. Of course, a lot of improvement is required. As I just mentioned, the connectivity issue has not been great here in rural Alberta.

I have two other quick questions. I don't believe this was what was meant when you said "sovereignty and security in a nation", but will you be committing to non-Huawei equipment in the build-out that you have?

Mr. Joe Natale: MP Dreeshen, we've already made that commitment. Our entire network is based on Ericsson technology. It has been for a long time. They're our network partner in 4G. They'll be our network partner in 5G and into the future. They've been a great partner.

Mr. Earl Dreeshen: That's great.

My last [*Technical difficulty—Editor*] just before about not being able to speak because of the upcoming auctions. When is that auction? How quickly after that auction takes place could we expect you to comment on that?

Mr. Joe Natale: The auction is in June and then there's a settlement period. I would imagine within a month or two thereafter we'd be able to speak more broadly about spectrum.

Mr. Earl Dreeshen: Thank you very much.

The Chair: Our next round of questions goes to MP Jowhari.

You have the floor for five minutes.

Mr. Majid Jowhari: Thank you, Madam Chair.

I'm going to start with Mr. Natale. Based on my understanding, you had said that folks with existing mobile plans under Shaw won't see price increases for at least three years should the merger go through.

First of all, is this statement true?

Mr. Joe Natale: It's correct.

Mr. Majid Jowhari: Is it possible to assume that [*Technical difficulty—Editor*] the prices will increase to those customers?

Mr. Joe Natale: No, that was not the intent of making that promise. The intent was to give people a degree of certainty.

I believe that wireless prices will continue to go down for all wireless customers. Part of the big benefit of 5G is to deliver a better unit cost of delivering a gigabyte of data. That will allow us to bring prices down even further and extend this notion of "unlimited" to an even broader set of the market.

It was really meant to give comfort to the Freedom customers who are on the road to 5G and everything else that will come. There's been a huge drive to bring prices down in Canada. It's been 50% in the last five years at Rogers alone, and 10% to 18% in the last year based on the quarterly report put out by our government. This will just continue over the fullness of time.

We look to other markets in the world that have made the 5G investment. We're behind in terms of 5G. Other countries that have fully deployed 5G have been able to enjoy some of those benefits. We see very well what they're able to accomplish in terms of bringing prices down. We're going to follow suit.

• (1255)

Mr. Majid Jowhari: Thank you.

You indicated that we are behind in 5G. This merger and the alignment of the investment will allow those organizations to be able to accelerate implementation of 5G. Can you comment specifically on what we're going to do? What are your organizations going to do to accelerate that?

Mr. Joe Natale: First of all, Rogers has already launched 5G to 170 cities across Canada, and we're going to continue to do so.

What we're waiting for is the upcoming auction. The upcoming auction is a very important spectrum for 5G, and potentially the auction after that one. These particular frequencies have already been auctioned off in other countries across the world, some two or three years ago. We're waiting for the spectrum to continue to deploy as we see fit, but we're building every day. Part of our partnership with Ericsson was to launch 5G-ready technology on top of all the Rogers towers, and therefore we're going to move full blast.

The fibre footprint that Shaw brings to the party will help us to complement the capability of our wireless network with the fibre footprint. Fibre is a very important ingredient in wireless networks, and Shaw's fibre footprint in western Canada is among the best anywhere in Canada.

Mr. Majid Jowhari: Thank you.

Mr. Shaw, there is an important 3,500 megahertz spectrum auction in June, as was mentioned by Mr. Natale. As said, this will be foundational to the future of 5G in our country. It's been suggested that Shaw won't or can't bid, given the proposed merger. If you're not bidding or you can't bid and this merger doesn't go through, what would the impact be on your ability to compete as a fourth carrier going forward?

Mr. Brad Shaw: I have a couple of comments. I think Joe mentioned that, due to auction rules, unfortunately I can't comment on that at this time.

As you look forward, certainly spectrum is important whenever we're looking in the business we have and the wireless business. I think as you go forward there would certainly be other ways commercially, and other things you can do to be able to launch new services and new products.

I'll end my comments there.

Mr. Majid Jowhari: Mr. Natale, do you want to comment on that?

Mr. Joe Natale: No, as Mr. Shaw said, we are prohibited from speaking any more extensively around the auction, given that it's around the corner and we're in the quiet period.

Mr. Majid Jowhari: Okay.

I have 30 seconds that I'm going to give back to the chair so we can keep on time.

Thank you.

The Chair: Thank you very much.

[*Translation*]

We're now going to Mr. Lemire, for two and a half minutes.

Mr. Sébastien Lemire: Thank you, Madam Chair.

I'd like to remind everyone here today that the Liberal government promised to reduce wireless costs for Canadians by 25%. That promise is especially important considering that wireless rates in Canada are among the highest in the world.

However, the proposed transaction could go against that objective. How do you think the Liberal government will respond to your transaction?

[*English*]

Mr. Joe Natale: First of all, prices have been coming down across the industry. Stats Canada released their consumer price index for wireless a little while ago. We've seen a 15% drop in the last 12 months. The Liberal government's own telecom quarterly report shows the prices have dropped between 10% and 18% since January 2020, depending on the plan. This follows the trajectory of wireless prices over the last many years, and it will continue.

In terms of the reaction of the government, I would leave it to the government to comment.

[*Translation*]

Mr. Sébastien Lemire: This is a long way from achieving the goal of reducing the cost of cellular service by 25%

Anthony Lacavera, the founder of Wind Mobile, which became Freedom Mobile in 2016 when Shaw acquired it, believes that Rogers' purchase of Shaw would mean the end of healthy competition and result in higher prices.

Mr. Shaw, is there anything you'd like to say to refute Mr. Lacavera's comments? You contradicted your own comments about a fourth player. The government has clearly indicated that its commitment is conditional on the presence of a fourth player in the wireless network, since that would bring prices down.

• (1300)

[*English*]

Mr. Brad Shaw: I'll ask Paul to comment, and I could add to that.

Mr. Paul McAleese: Thank you, Brad.

I think Mr. Lacavera is probably lacking current market information. Frankly, it's probably not worth responding to any further.

[*Translation*]

Mr. Sébastien Lemire: Okay, but since I'm asking, how would you respond?

[*English*]

Mr. Paul McAleese: Could you reframe the question?

[*Translation*]

Mr. Sébastien Lemire: The businessman who founded Wind Mobile believes that it could succeed as an independent provider, but that would require policies and measures to limit the powers of the three industry giants.

Do you think this could have an impact on the rates charged to citizens?

[*English*]

The Chair: Could you respond very quickly, please?

Mr. Paul McAleese: Thank you. The translation came through a little choppy there.

To be clear, my comment about Mr. Lacavera wasn't an attempt to not answer your question, sir; it was simply a reflection of the fact that he's been out of the category a long time and is perhaps not current with [*Technical difficulty—Editor*] and may be seeking a little bit of attention these days.

On our influence.... I'm sorry, Madam Chair.

The Chair: I'm sorry. We're really over time and I want to make sure that we get everybody in.

The next round of questions goes to MP Masse.

Mr. Brian Masse: Thank you, Madam Chair.

I'm going to return to the spectrum auction—something I've always talked a lot about in this committee. The timing seems to be really awful here. The spectrum auction was delayed by six months, and now this comes.... It really doesn't make any sense if Shaw is sidelined and one of our four competitors to a competitive market is now pushed out of the system. Nobody can really comment on it because of the timing aspect.

What you can comment on is this: Would you prefer a decision to be made about Rogers and Shaw before the spectrum auction, or would you prefer the spectrum auction to be held off until this time? It could take a long time for the CRTC and the Competition Bureau and the government to decide on this. This is one of the reasons I'm opposed to it—a lot of different reasons.

You must have a position on that. That affects your business cases and your value in the stock market quite significantly.

Mr. Joe Natale: I'll take that, Mr. Masse.

I hate to be repetitive, but we're not really able to comment on anything that might speak to industry structure in and around the auction. Therefore, there is a commitment to stay quiet on anything that relates to the spectrum auction and decisions in and around that. We don't really have much of an opportunity to say anything further.

Mr. Brian Masse: I guess, then, with the concluding amount of my time, I'll move on, Madam Chair, because there is no.... That really comes to the thrust of this. We've had a market here that has been isolated from the world by design. It's provided a lot of benefits that way, but it has also blocked competition. We spent a lot on public policy to foster competition.

Now, these two companies are going to put a significant fly in the soup when it comes to the spectrum auction, which could provide more competition and more relief for Canadians at this time than ever before. It's really unfortunate, I think. It says a lot.

The Chair: Thank you very much.

[Translation]

We'll now go to Mr. Généreux, for five minutes.

Mr. Bernard Généreux: Thank you, Madam Chair.

My question is for Mr. Shaw or Mr. Natale.

As part of this transaction, are you committing to completely divesting Shaw's wireless activities in order to maintain the government's policy to have four carriers?

[English]

Mr. Joe Natale: Why don't I take that first, Brad?

There's a process that has begun with three regulators: the Competition Bureau, ISED and the CRTC. This will be germane to those discussions.

We are just in the middle of creating our submissions. It's hard for me to comment on exactly what we may or may not do. I will tell you that we'll be reasonable, practical, and we'll work very closely with the regulators to find a solution that makes sense for Canadians and makes sense with respect to what's at stake.

What's at stake right now is how far and how fast we can go with 5G, to connecting rural [*Technical difficulty—Editor*] creating affordable solutions for those Canadians who struggle to afford these capabilities. You have my word that we will try to solve, to the best of our abilities, those three factors as we sit down with the regulators and work out a reasonable approach.

• (1305)

[Translation]

Mr. Bernard Généreux: My next question is for Mr. Natale, unless Mr. Shaw would like to add something.

[English]

Mr. Brad Shaw: I have no comment. I think Joe said it well.

Mr. Bernard Généreux: Okay, perfect.

[Translation]

My next question is for Mr. Natale, then.

We are looking at this transaction as parliamentarians. I'm sure a lot of Canadians, as well as people working in the industry, are watching our deliberations here today. Personally, I'm a businessman, so you don't have to convince me that mergers are sometimes necessary to expand certain businesses or industries quickly.

However, we're hearing some conflicting information today, so I want to give you an opportunity to clarify a few things.

You say your prices are in the middle of the price range. My assistant told me about price increases Rogers has imposed on its customers over the past few years, coming in at roughly \$25. Nevertheless, price is an important factor for all Canadian consumers.

I'd like to give you the opportunity to explain what's really going on. I have no doubt whatsoever about your intentions. That being said, if the deal goes through, the number of major players in Canada could go from five to four, or even three. That is a reality that Canadians may have to live with. How would such a change affect prices and service to Canadians over the long term?

In addition, Canada's population density is low, despite being the third largest country in the world. Implementing the system over such a vast area requires expensive infrastructure.

What arguments would you make to convince us and everyone watching today that this transaction is justified and to prove that it would benefit all Canadians?

[English]

Mr. Joe Natale: I'll start by saying that we're on the doorstep of a very important time in our history in the telecommunications industry. It is the same doorstep we faced in 1999 when people started talking about the Internet and whether there was a market for it. It is the same doorstep we faced in the 1960s when we started talking about whether cable TV had a market. It is the same doorstep we faced in 1985 when we wondered how many Canadians might actually want a wireless device. If I dusted off the business cases of all those different moments in time, we would see that we were dead wrong, in every estimate, in terms of the importance and quality of the capability and adoption that was important to Canadians.

We're on that doorstep again. This is the doorstep of 5G, and 5G will fundamentally change our nation and our ability to participate in the digital economy. This is really about nation-building. That's what's at stake here more than anything else.

The ability to drive 5G will lead to more affordability and lower wireless prices. It will also, importantly, create the capabilities that are important to our nation, whether they are in health care, transportation, the resource sector, oil and gas, agrotech or the technologies that will change our productivity and our capability as a nation. If these two companies come together, it will give us the opportunity to contribute in those ways and deliver on the 5G promise. That's the doorstep we're on and the importance of what we're up to.

[Translation]

Mr. Bernard Généreux: Rogers employs 3,000 Quebecers and has two million customers in Quebec, and yet Quebec is not really part of Shaw's business plan. Do you intend to—

The Chair: I'm sorry, Mr. Généreux, but you're out of time.

[English]

Mr. Bernard Généreux: Oh, my goodness.

[Translation]

The Chair: We'll now go to Mr. Ehsassi for the final round.

[English]

Mr. Ehsassi, you have five minutes.

Mr. Ali Ehsassi: Thank you, Madam Chair. I will ask Mr. Natale a question.

I have to say, sir, that I'm very much confused. On the one hand, you've essentially been arguing, not only today but also in the media, that there is very little overlap between Rogers' operations and Shaw's operations, whether in market segments or in services. On the other hand, you're saying that consumers should be cheering you on and they should be very much looking forward to this.

If there are no overlaps and there are no efficiency gains, so to speak, how could you possibly argue that there will be savings and that those savings will be passed on to Canadians?

• (1310)

Mr. Joe Natale: You're right that there is minimal overlap, but there are incredible complementarities to the capabilities of the business. I'll give you the most important one as an example: Shaw has spent five decades building an extensive fibre network through-

out every major city and medium-sized city all through western Canada.

Mr. Ali Ehsassi: Mr. Natale, do you believe in trickle-down economics? Is that essentially what we're supposed to believe?

Mr. Joe Natale: No, it's not based on any economic theory. It's just based on the fact that we would have to spend a few billion dollars of Rogers capital to replicate that fibre network. By coming together, we can leverage that fibre network and extend it further into rural Canada, and we can also leverage it as the backbone for 5G capability, because 5G only works with a very extensive fibre network. Right there, there's a massive synergy—

Mr. Ali Ehsassi: You're saying, given all the investments that have to go into 5G, that all Canadian companies should be now acquiring one another and gobbling each other up.

Mr. Joe Natale: I'm saying that we're on the doorstep of a very important investment cycle and the onus is on us as Rogers and as Shaw to look at the possibilities and opportunities to deliver on 5G and deliver on the rural opportunity—

Mr. Ali Ehsassi: Thank you, Mr. Natale.

Mr. Shaw, I have the same question. If there are no efficiency gains and no overlap between the services, essentially speaking, that you offer and that Rogers offers, why would there be savings for Canadians?

Mr. Brad Shaw: Well, listen, just as Joe said so well, I think there's a real opportunity here for us to be able to put our capital together, and the balance sheets and the two companies with [*Technical difficulty—Editor*] to have that capital dollar extend all the way through to rural, remote, indigenous and 5G, because.... As you know, we have prided ourselves on being able to serve and deliver the products and services Canadians want. I think this is an opportunity to accelerate that and actually provide an opportunity and a doorstep that will truly make Canada even more competitive and really drive economic growth and jobs.

I think those things are so fundamental and key, because we're a builder. We're a family that has always looked at that and has always done that. This is an opportunity. As some of you know, Yogi Berra said that if there's a "Y" in the road, you should take it. We have fundamentally believed that this is the right thing for us to do in western Canada, and when you can drive connectivity that way, I think it's terribly exciting.

Mr. Ali Ehsassi: Mr. Shaw, it might very well be the right thing for you to do, and it might be very well the right thing for Rogers to do, but we're concerned about consumers. Why is it the right thing for consumers?

Mr. Brad Shaw: I think this opens up new doors. With any capital investment, you have an opportunity to drive competition, innovation, new products and services and really, I would say, make that digital divide a lot smaller for all of us.

Mr. Ali Ehsassi: You're asserting that less competition leads to more innovation. That's your—

Mr. Brad Shaw: The right competition, dynamic competition adds to that. It doesn't have to be a number of players. I think that when you have that dynamic competition in the market, the federal government will be able to create the policies to be able to do that. We still have a regulatory overhang—

Mr. Ali Ehsassi: But this proposed merger undermines competition. Surely you would agree with that.

Mr. Brad Shaw: No, I don't agree.

Mr. Ali Ehsassi: You don't agree that this proposed acquisition would diminish competition.

Mr. Brad Shaw: No. I think it's going to drive it in a way that is terribly exciting for Canadians.

As you look at investment cycles, you don't want to underinvest. If you're underinvesting, then you're not actually going to be delivering to Canadians what you wanted to deliver. I think this is what it's about. It's about driving that investment.

Mr. Ali Ehsassi: You're driving this merger because of your concern about Canadian consumers rather than your shareholders. That's what you're telling us today.

Mr. Brad Shaw: Oh, absolutely. As I said in the opening statement, we're all about consumers. That's our lifeblood. That's every-

thing we do and everything we've been successful for. We all want to make sure—

• (1315)

The Chair: My apologies. We really are out of time. That is our time for today.

Mr. Ali Ehsassi: Thank you, Mr. Shaw.

Mr. Brad Shaw: Thank you.

The Chair: I would like to thank the witnesses for being with us today. As you can see, we have a lot of concerns regarding this issue, and we appreciate your frank responses and your time with us today.

This is just a gentle reminder to members of the committee to get their prioritized witness lists for the next study to the clerk as soon as possible so we can get those invites out.

Again, a big thank you to our interpreters; our IT team; Francis, our analyst; and our clerk. Thank you so much for your time today in a riding week.

With that, I will call this meeting adjourned.

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