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• (1430)

[English]

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

I call this meeting to order. Welcome to meeting number 27 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 that 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 the regular rules.

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 the floor, English or French. Please select the language of your choice. Before speaking, please wait until I recognize you by name, and when you are not speaking please make sure your microphone is on mute. I remind everyone that all comments by members and witnesses should be addressed through the chair.

As is my normal practice, I will hold up a yellow card when you have 30 seconds remaining in your intervention and the red card when your time for questions has expired. As we have a tight schedule today, I ask that you please respect the time limits so that everyone can have a chance to have their questions heard.

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

I'd like to welcome our witnesses now.

[Translation]

We now welcome Mr. Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor Media, and Mr. Jean-François Pruneau, President and Chief Executive Officer of Videotron.

[English]

From the Canadian Communication Systems Alliance, we have Mr. Jay Thomson, chief executive officer. I will introduce our second panel when they join at 3:30.

Each witness will present for up to three minutes, followed by a round of questions. I understand that Monsieur Péladeau will be

taking the slot for Quebecor and Vidéotron, and they may share that time.

With that, I will turn the floor over to Monsieur Péladeau.

[Translation]

You have the floor for six minutes.

Mr. Pierre Karl Péladeau (President and Chief Executive Officer, Quebecor Media Inc.): Thank you, Madam Chair.

Good afternoon, ladies and gentlemen. My name is Pierre Karl Péladeau, and I am the President and Chief Executive Officer of Quebecor. With me is my colleague Jean-François Pruneau, President and Chief Executive Officer of Videotron.

The federal government, after acknowledging that there was no real competition in wireless and that Canada was among the industrialized countries with the highest prices for wireless services, diligently pursued a disciplined policy as of 2007, designed to enable a fourth wireless player to emerge and do business on a lasting basis; it was to have a sound foundation and its own facilities in all regions of the country. The conditions established when the auction of licences for advanced wireless services was held in 2008 achieved these objectives. Videotron in Quebec and Eastlink in the Maritime provinces became the linchpins of this successful policy.

Since 2008, we have invested over \$2 billion to deliver the best networks and the most innovative services in Quebec. As a result, Quebecers now have the lowest rates in Canada for wireless services, up to 40% lower than for other Canadians. That's not me saying it, but rather the CRTC's Competition Bureau. Not only does this promote better rates, but also better customer service. Everyone knows how little the Big 3 care about that.

All of this became possible when the federal government realized, about 15 years ago, that strong competition would never emerge on its own, and that concrete steps had to be taken to break the oligopoly of the Big 3. I have three measures in mind: reserved spectrum; mandatory tower sharing to prevent their proliferation and visual pollution, and to speed up the deployment of wireless; and mandated roaming.

Not everything was as successful, and Canada had to live through the Wind Mobile fiasco, whose financing by foreigners was not aimed at building a network, but rather pure speculation. In the meantime, two newcomers, Public Mobile and Mobilicity, were swallowed up. Wind Mobile eventually received some solid support from Shaw, which demonstrated that it was perfectly capable of taking on the Big 3 in Ontario and Western Canada.

Rogers' proposed acquisition of Shaw would put us back to square one by eliminating the fourth player so essential to ongoing real competition.

You, the members, and the various regulatory organizations, need to ask the following question: do consumers in other provinces deserve to have the same experience as consumers in Quebec and the Maritime provinces, meaning being able to purchase their services from a trusted and innovative supplier like Videotron, which is not a member of the Big 3's oligopoly.

One thing is certain, and that is that the dramatic consequences that led to the abandonment of the policy promoting genuine competition cannot be countered by mobile virtual network operators, usually referred to as MVNOs in our jargon, entities which only exist through their access to networks operated by others. MVNOs, which are essentially service resellers, will never have the same market influence as suppliers that have their own infrastructure, because they don't really have the means to innovate. I say this on the basis of our own experience, because Videotron was itself an MVNO prior to 2010. Clearly, the model does not provide the attributes and flexibility needed to compete with the Big 3 oligopoly, which controls over 90% of Canada's wireless market.

So if we want sustainable competition that benefits consumers over the long term, it's essential not only to maintain and strengthen the competition model based on facilities, but also to continue with the fourth-player policy for wireless.

- (1435)

Rogers and Shaw told you that 5G investments justified market concentration. This is a rather surprising statement, because as recently as last September, Shaw wrote to this committee to say that the Big 3's arguments are "a transparent and desperate attempt to thwart further competitive entry and expansion by regional competitors like Shaw, in order to maintain and further entrench their joint dominance in the 5G era." This is only a very short excerpt from the brief tabled by Shaw on December 18.

To conclude, we're asking you to have the courage to subject the main transaction, that of the wired networks group, to the disposal of Freedom Mobile's assets by including the conditions required for the effective operation of a wireless network, which are spectrum ownership, roaming agreements, tower sharing and an equitable agreement for use of the wired network, known as *backhaul*.

Thank you for your attention.

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

[English]

We'll now turn to Mr. Thomson.

You have the floor for three minutes.

Mr. Jay Thomson (Chief Executive Officer, Canadian Communication Systems Alliance): Thank you, Madam Chair and members of the committee.

I'm Jay Thomson, CEO of the Canadian Communication Systems Alliance, CCSA.

CCSA represents independent communication companies that provide bundled TV, Internet and telephone services to Canadians mostly living in smaller communities and rural areas.

The Rogers and Shaw families are long-standing industry colleagues, and we regard the companies they have built with the greatest respect. Nevertheless, we fear that the Rogers-Shaw deal has the real potential to make some already bad things worse, both in broadcasting and in telecom.

Last week, we appeared before the heritage committee for its study of Bill C-10, which would amend the Broadcasting Act. We highlighted that Rogers, as well as Bell and Quebecor, have already become so big and powerful that the CRTC has had to implement regulatory safeguards to preclude them from using their size to increase consumer costs and reduce choice. We advised the committee that those domestic communications giants have been using their size and influence to undermine the CRTC's consumer safeguards, and we warned that they will only increase those efforts if left unchecked. Regardless of this Rogers-Shaw deal, the CRTC's authority to establish and enforce its consumer safeguards must be confirmed and strengthened. With this deal, a giant will get bigger.

Rogers' cable and Internet subscribers will roughly double in size. That will double the guaranteed cable subscribers to Rogers' TV services, like Sportsnet, at its own preferred rates. Absent the CRTC's safeguards, Rogers could then use its expanded cable size to squeeze smaller cable companies for higher carriage rates for its services, as well as for other concessions, resulting in higher prices and less choice for rural Canadians.

Further, absent the CRTC's safeguards, Rogers could use its expanded Internet size to favour itself with exclusive access arrangements for its online sports service, Sportsnet Now. What will ultimately happen with the numerous Corus TV services now owned by the Shaw family? No one knows.

Should the big get bigger, it will only increase the need to ensure that the CRTC has the authority to implement regulatory safeguards to protect consumers against the domestic giant. Safeguarding consumers where an industry is dominated by a few large players also comes through regulatory decisions that promote competition from other players. The most important of such decisions in these circumstances now becomes the CRTC's pending ruling on providing mobile competition to all of the dominant wireless providers through mobile virtual network operators, MVNOs. As with the other consumer safeguards, MVNO competition is needed regardless of this Rogers-Shaw deal, but even more so if the deal goes through.

I'll end on a positive note. As an industry committed to extending broadband to all Canadians wherever they live, we appreciate Rogers' commitment to a \$1-billion broadband fund. However, the devil will be in the details as to whether it will actually accomplish its welcome goals, so more scrutiny is warranted.

Thank you again for this opportunity, and I look forward to responding to your questions.

• (1440)

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

We'll now start our first six-minute round of questions.

[*Translation*]

Mr. G n reux, you have the floor for six minutes.

Mr. Bernard G n reux (Montmagny—L'Islet—Kamouraska—Rivi re-du-Loup, CPC): Thank you very much, Madam Chair.

I'd like to thank Mr. P ladeau and Mr. Thomson for their presentations.

Mr. P ladeau, you have just candidly admitted that your company was once a parasite—that's the expression you used at our last meeting. Indeed, when you began in this field, you were one of the companies that made use of infrastructures owned by others. Since then, your company has become an extremely important player, particularly in Quebec, but also elsewhere in Canada.

At the end of your presentation, you said that this transaction should have a number of basic conditions, for example with respect to reserved spectrum and tower sharing. The Shaw and Rogers representatives did not want to go into the matter of spectrum any further, because spectrum licences should normally be assigned or sold between now and the end of June.

Can you tell us more about this particular transaction?

Mr. Pierre Karl P ladeau: Thank you for your question.

I think, however, that there's a significant difference. Even when we're talking about parasites, it's a matter of regulated rates. Back then, when the time was right for Videotron to enter the wireless telephony market, we had negotiated an agreement with Rogers, among others, to facilitate matters afterwards.

It's an interesting point to discuss. I'll be repeating approximately the same things I said earlier. In the 2008 auction, we exerted considerable pressure. We had been able to convince the late Jim Pren-

ti ce, who was the minister of industry at the time, that these conditions were essential for there to be competition. Essentially, there were three important conditions, including spectrum. I'll talk about that one last, since you mentioned it already.

The first condition was mandated roaming. A network can't be built in a weekend. It takes years to build. So before you can rely on your own network, you have to rely on other people's networks. This is true of all international operators. For example, if you subscribe to Telus or someone else, when you are in the United States or in France, you are on the network of another operator and you have a roaming agreement. That's what was needed here in Canada for companies breaking into the market.

The second condition was power-sharing. Quite rightly, to avoid visual pollution created by a multitude of neighbouring towers, the legislator required operators to agree to install their antennas on a single infrastructure.

And now, the third...

• (1445)

Mr. Bernard G n reux: Excuse me for interrupting, Mr. P ladeau, but am I my wrong in saying that at the moment, in Quebec at least, Quebecor is not necessarily sharing all its towers with industry partners?

Mr. Pierre Karl P ladeau: We share some of our towers with other operators, including Rogers. In fact we have an agreement with Rogers, which we call Teamnet, just as Bell and Telus have an agreement together, which they call Bellus. We're going to continue with this arrangement. I presume that Shaw has a roaming agreement, and we hope that such an agreement will be one of the conditions for acquiring Shaw.

The third condition concerns spectrum. You are right to point this out, and I can only repeat what my industry colleagues, including Mr. Natale and Mr. Shaw, have said, which is that we can't comment in any way about the auctions to be held within a few weeks. However, if we want to have a solid fourth player, then we need to require, as one of the conditions for the transaction, the transfer of spectrum acquired by Shaw in previous auctions in order to be able to provide clients with quality service at extremely competitive prices.

Mr. Bernard G n reux: Mr. P ladeau, your company has a very high profile in Quebec. But have you previously attempted to develop your operations in Western Canada?

It's true that in many instances, what's good for the goose is good for the gander. If the merger of these two big companies were not allowed, it might not be doing Shaw a favour, but it would be a good thing for Quebecor if it ever wanted to move to Western Canada and take over Shaw. If the merger were allowed, it would be the other way around.

Mr. Pierre Karl Péladeau: Mr. Généreux, we're talking about the acquisition of Shaw by Rogers here. As you probably know, Rogers is already an operator and is one of the Big 3, which is not the case for us. That's rather obvious to me.

Mr. Bernard Généreux: I understand.

Madam Chair, do I have any speaking time left?

The Chair: You have 15 seconds.

Mr. Bernard Généreux: I'll leave my time to the next witnesses.

Thank you, Mr. Péladeau.

[English]

The Chair: Our next round of questions will go to MP Lambropoulos.

You have the floor for six minutes.

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

Thank you to both of our witnesses for being here with us today.

My first question will go to Mr. Thomson.

You spoke about the importance of rural broadband and how, as much as the deal may not be ideal, you are glad to see that they are committing to make investments in rural broadband. You said that the devil is in the details.

I was hoping you could maybe give us a bit more on what you would think would be an acceptable deal. Obviously, you know that one of our government's priorities is connecting as many Canadians as possible in rural and indigenous communities. For years, I believe, the government's been trying to incentivize the companies to go there on their own and to try to get them to create the infrastructure needed. Obviously, this is seen as being a positive side to the deal.

Can you comment on that and give us some insight as to what you think?

• (1450)

Mr. Jay Thomson: We echo the importance of rolling out broadband in rural communities, and our members are doing just that, often with the help of the government programs that are in place, which are much needed. We welcome investment from anyone in rural broadband.

It's just that the starting point, for example, is that Rogers calls this a "broadband fund. It's not a fund like the universal broadband fund, or the connecting Canadians program, or the connect to innovate funds, which are open to any provider eligible to apply. The funds have very clear rules on eligibility and the goals associated with it, as well as transparency in the process and auditing of the results at the end to make sure that they actually accomplish what the money was intended to do.

As far we know, we haven't heard any details in fact about the "Rogers fund", as it's called, in that respect. It's money that Rogers has put forward as a commitment to sweeten the pot for this deal, but beyond that, they'll be in control of the money and we don't

know necessarily where it will go and how its success will be measured.

One of the concerns we have is that while they suggested at the outset that the money would be going to 600,000 customers in western Canada who are unserved or underserved, on Monday when they appeared before you, they added the goal of serving communities that already have a provider. In underserved communities or smaller rural communities that already have a provider, it's typically because they've had access to help from the government funds.

What Rogers is now seeming to propose is that it's going to over-build in communities where the government has already been in to support the building of broadband. That doesn't seem to us to be a good use of available resources and good public policy to be over-building against what taxpayers have supported building already.

Ms. Emmanuella Lambropoulos: Thank you very much.

My next question goes to both witnesses.

[Translation]

What role do you think government organizations like the CRTC and the Competition Bureau should be playing in this transaction? How should they deal with the matter?

Mr. Pierre Karl Péladeau: Madam Chair, is the question for Mr. Thomson or for both of us?

[English]

Would you like to start, Jay? Do you have anything to say on this question?

Mr. Jay Thomson: Thank you.

I'll just say that the CRTC has a mandate that's established in the Broadcasting Act and its own legislation, and the Competition Bureau has its own similar but separate mandate, and they carry out their roles as assigned to them.

Ms. Emmanuella Lambropoulos: I guess it's more about what you think they should be focusing on in particular before making a decision.

Mr. Jay Thomson: Quickly, if it's going to be of benefit to Canadian consumers in the end....

Mr. Pierre Karl Péladeau: I support and agree with what Jay's saying.

I'd like to also say that from an ISED perspective, it would also be important to make sure that the spectrum is well distributed, because it is a public asset, so that all operators will be in a position to provide a service of great quality. It needs to make sure there will not be a lack of spectrum for the new entrants, because these are the ones who didn't have the chance to enjoy being in business for the last 30 years, so they lack the same amount of spectrum that the incumbents are enjoying right now.

[Translation]

Ms. Emmanuella Lambropoulos: Mr. Péladeau, I'd like to clarify something. You mentioned that Quebec customers had lower rates than customers in the rest of Canada. Do you believe that this is attributable to the stiffer competition in Quebec, where more players can contribute?

Do you really think that this transaction would have a negative impact on Canadians in other provinces by weakening competition? What should be done about this?

• (1455)

[English]

How can we make sure that this transaction does not work against competition?

Mr. Pierre Karl Péladeau: Ms. Chair, may I answer?

The Chair: I'll give you a little bit of time. You have 15 seconds.

Mr. Pierre Karl Péladeau: It's been said before that the fourth operator, which is Freedom Mobile, will disappear because the cartel or oligopoly that Canadians used to face will basically be rebuilt.

[Translation]

The Chair: Thank you very much.

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

Mr. Sébastien Lemire (Abitibi—Témiscamingue, BQ): Thank you, Madam Chair.

Mr. Péladeau, In your opening address, you mentioned the importance of having a fourth player in the market. Based on your experience in Quebec, what impact did a fourth player have on the market?

Mr. Pierre Karl Péladeau: I tried to address this in my comments. Clearly, to enter a market, the fourth player had to be even more combative. Our involvement in the first auction in 2008 was very expensive. It cost us around \$500 million. We therefore had to amortize this amount over the largest possible number of customers, particularly as we were also required to build the network. As I said, we spent \$2 billion doing that.

All of this led us to be extremely competitive and to suggest prices and packages that were more competitive than before. It's also a well-known fact in Quebec that we paid special attention to customer service. God knows that a growing number of Canadians are becoming aware of this. They want to deal with a provider that will be responsive to their needs, knowing that there will be someone on the other end of the line to deal with their requests. That is the need that Quebecor made an effort to address from the moment it acquired Videotron in 2000. It's probably one of the reasons why, for the 15th year in a row, Quebecers chose Videotron as their preferred telecommunications provider from among the many other providers, including Rogers, Telus and other smaller players, including third-party Internet service providers^x.

Mr. Sébastien Lemire: If the goal is to lower prices, why are you asking the authorities to invest so much effort on a four-player competition model?

How then is this model supposed to work in Canada?

Mr. Pierre Karl Péladeau: I don't believe that we're asking the government or the state to invest in a fourth player. We believe the government can maintain competition by ensuring that the required conditions are in place for a fourth player to operate. That's how systematic everyday competition would be created.

That's why we intervened with Mr. Prentice, the minister at the time. And we were not the only ones to do so. Our arguments convinced him to introduce a number of conditions to encourage companies to take part in the auctions and build a network afterwards. We felt that conditions requiring reserved spectrum, infrastructure sharing and mandated roaming agreements would guarantee longevity and long-term competition.

History has shown that competition came about because these conditions were met. The outcome is that in Canada, Quebecers have the lowest wireless rates.

Mr. Sébastien Lemire: When my colleague Bernard Généreux was speaking, a door was opened. I would therefore like to ask you the following question.

Let's say that for the transaction to be approved, Rogers would be required to give up an asset like Freedom Mobile. Would it be in Videotron's best interests to acquire this company and strengthen its position as the fourth Canada-wide player?

Mr. Pierre Karl Péladeau: As early as 2008, we had approached a number of operators to give us a national presence. It didn't work, for all kinds of reasons. First of all, at the time, we didn't have the financial capacity. Additionally, the presence of a group called Globalive had caused the auction price to rise extremely quickly. It turned out afterwards that this company had been financed by foreign interests. That's what I referred to earlier as the Wind Mobile fiasco. Unfortunately, this event significantly held up the entry into the market of a serious player that had the financial capacity to invest in a network. Fortunately, Shaw acquired Wind Mobile a few years later, renamed it Freedom Mobile and turned it into a genuine fourth player. If Rogers were to buy freedom mobile, then this fourth player would certainly disappear.

To answer your question, I would tend to say that we were already interested in expanding in 2008. Today, owing to our financial strength, our experience and our telecommunications and marketing expertise, we meet the applicant criteria needed to succeed.

• (1500)

Mr. Sébastien Lemire: Do you think the 3500 MHz band auction should be postponed or that Shaw should be withdrawn from the process?

Mr. Pierre Karl Péladeau: Auctions are subject to very clearly defined rules. I refer you to paragraph 261 of the policy and licensing framework for spectrum in the 3500 MHz band, which clearly states that, in the circumstances, Shaw unfortunately couldn't be a favoured or a set-aside-eligible bidder in the spectrum auction.

Mr. Sébastien Lemire: Thank you.

The Chair: Thank you very much.

[*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, and to our two witnesses for being here.

I'll start with Mr. Péladeau, please.

One of the challenges we have is the spectrum that has been set aside in the past and how it now is being acquired even though it was a set-aside. I want to ask you about Vidéotron's AWS licence being sold to Rogers in the past. That was a set-aside as well. How much money did Rogers pay for that and what impact did it have on competition? Why did you agree to that?

Mr. Pierre Karl Péladeau: First of all, as I mentioned to you, Mr. Masse, in 2008 we were interested in building a national network. Unfortunately, for different reasons.... One of the reasons was that the auction very, very expensive. In considering our financial capacity, we arrived at the conclusion that we were not going to be able to build that national network. Through the auction, we bid on 10 megahertz in the Toronto area. Unfortunately, at the end of the auction—let's call it that—we were caught with it and were then forced to pay—

Mr. Brian Masse: Okay.

Mr. Pierre Karl Péladeau: —but at the beginning, the purpose was to build a network. Unfortunately, we were not able to do so.

Mr. Brian Masse: Okay. The reason I asked that question was for clarity. Thank you for that.

One of the things that I believe we've been doing wrong in our auctions is just trying to do a money grab—about \$25 billion over the last number of years since the year 2000—and what I would prefer to see is a spectrum auction with higher degrees of standards of rollout, protection for lower prices for base services, and expectations that if you don't use it, you lose it. It would be almost like an RFP process. We would allow more access in for more cost-effective measures to be the incentive of the use of the spectrum versus that of the cash grab, so to speak.

If that were a policy like some other nations have done, do you think that your company, as well as others that are trying to expand their markets, might do better instead of having to borrow money on the market and then service that debt as you're expanding into the customer base that you want to grow?

• (1505)

Mr. Pierre Karl Péladeau: That's a very interesting question. Obviously we're not ISED. We're not the one who will make public policy, but you probably knew that at the beginning, early in the

implementation of wireless services, the spectrum was given away to the first operators. Through the decades, that went back and forth. The government decided this was a public asset, and therefore we needed to make sure we would monetize this asset as much as possible, which is limited and necessary for a public wireless service.

Is the actual policy perfect? Probably not, recognizing that perfection is not of this world. Is it one of the best? I think they've been able to analyze all of the auctions around the world and, at the end of the day, arrived with different operators in Canada, and that these rules would govern the auction.

To make sure that competition will continue to be available—because the fourth operators are far from being the size of the three largest, the oligopoly—therefore, we need to make sure they will be protected and give them set-asides.

Mr. Brian Masse: I know all of that. I was trying to get at a different process and priority. Right now we're at a point where we have a market protected from foreign competition—and maybe I'll move to Mr. Thomson to get him into the conversation as well. The use of our spectrum has also.... The end result is that we have some of the highest prices. It's not a coincidence, I don't think. We've had testimony on that.

Quickly, Mr. Thomson, this timing seems very suspicious. Rogers did go after Cogeco earlier on with a hostile takeover, and all of a sudden coming to this spectrum at the last minute, we have this.

Do you have a position on whether we should delay the spectrum or, what I prefer right now, put the brakes on this altogether and say that we're not interested in it because it's going to have a profound impact.

May I have your comments, please?

Mr. Jay Thomson: Frankly, Mr. Masse, while we watch the spectrum auction with interest, it has very little impact on smaller communities and smaller providers. It's a big players' game. It's too costly for others to get into, and whether it goes ahead or not will have very little impact on competition or access to mobile services in smaller communities. Only the MVNO process will help that.

Mr. Brian Masse: Okay.

That's my whole point: changing the way we do the spectrum to allow those entrants to get into the game.

Thank you, Madam Chair.

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

We'll now start our second round of questions. First, we go to MP Poilievre for five minutes.

[*Translation*]

Hon. Pierre Poilievre (Carleton, CPC): Thank you very much, Madam Chair.

My questions are for Mr. Péladeau.

First, I want to thank you for your family's contribution to the business field and to congratulate you on the success of Vidéotron.

You mentioned that the principle of a fourth operator would absolutely have to be protected if Rogers and Shaw were to merge. I agree that approach has worked well to date and has benefited consumers.

If Freedom Mobile is spun off from Shaw or sold as an asset so that it isn't part of the merger, do you think the transaction can be conducted without undermining consumers' interests?

Mr. Pierre Karl Péladeau: Thank you for your question.

Are you referring to the possibility that Freedom Mobile might be one of the assets acquired by Rogers in the merger? Is that the gist of your question?

Hon. Pierre Poilievre: If Shaw sells Freedom Mobile and that company's no longer part of the merger, for example, if someone buys it or it becomes a completely independent business, can the merger go forward without undermining consumer interests?

• (1510)

Mr. Pierre Karl Péladeau: Yes, absolutely. On the contrary, I'm even inclined to think that competition will continue and the fourth operator will be dynamic. Of course, it will have to have the financial capacity to acquire the assets, but also develop the operations, of the business, build a network and participate in auctions. The 3500 MHz band spectrum auctions are approaching. Then there will be others. Auctions of this type are held quite often because they help ensure that Canadians receive better services.

We previously used telephones just to talk to other people. Now, as you know, people increasingly use smartphones and consider them essential to everyday life. Very few Canadians don't have a smartphone. Wireless telephony has thus become an essential service. I think a fourth operator is essential to ensuring competition.

Hon. Pierre Poilievre: I understand. So you think the merger may be acceptable to Canadians if that condition is met.

Mr. Pierre Karl Péladeau: Yes. In fact, Rogers and Shaw aren't competitors. All the businesses in the cable industry—Eastlink, Vidéotron, Cogeco, Shaw and Rogers—have grown through acquisition. That's all part of a movement that's been going on for 30 years. It's also the case in the United States with Cox, Charter Communications and Comcast. Mergers have historically enabled cable companies to maintain and even improve the quality of cable services. Mergers have also assisted businesses in increasing the quality, speed and ease of Internet access and in operating in wireless telephony.

Hon. Pierre Poilievre: Thank you.

You characterize the Canadian market as an oligopoly, and I agree with that description.

Apart from this merger and the need to retain a fourth operator, are there any other reforms that you would suggest should be pursued to open up the market and allow more competition?

Mr. Pierre Karl Péladeau: I think the rules the government issued in 2008 have proven they can produce results. Competition is

now established in the maritime provinces and Quebec, in addition to British Columbia, Alberta and Ontario. So it's important that these rules be retained. Authorities must also ensure in future that businesses don't participate in spectrum auctions for speculative purposes, but instead to build a network for the benefit of Canadians. That's the one and only way to provide high-quality services at a fair price. The investments involved are of course significant, but the results for Canadians are as well.

Hon. Pierre Poilievre: Thank you.

The Chair: Thank you very much.

[English]

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.

Allow me to join our colleagues in thanking the two witnesses for appearing before us today.

My first question is Mr. Péladeau.

As you know, back in 2017, Bell acquired MTS. I take it that you follow developments in other provinces as well. From your standpoint, what was the consequence of that acquisition?

Mr. Pierre Karl Péladeau: Maybe I will ask my colleague Jean-François, because during that time I was not CEO, but what I will say is that, with all the respect I have for Manitoba—in fact, we used to have a few newspapers there, especially in Winnipeg—it's a smaller province. We've been in an environment where MTS, which was a company that had been there for so many years with different routes from the other operators, was probably not providing a very competitive landscape. That was not the case elsewhere, I would say. This competition is even greater since technology was enabling Bell to broadcast video to satellites, and Shaw also, and then afterwards with fibre.

We live in a very competitive environment. Therefore, we need to make sure that it will remain. Manitoba is probably not the area with the greatest competition that we can find here in Canada.

I don't know if Jean-François has any other things to say.

• (1515)

Mr. Jean-François Pruneau (President and Chief Executive Officer, Vidéotron Itée): Yes.

If I may add to that, one thing for sure is that for Xplornet the result was not that great. Obviously, they acquired some subscribers, but as Pierre Karl mentioned, there need to be conditions to make sure this kind of journey becomes viable. The things we're talking about are transfer of spectrum, transfer of roaming agreements, or getting into a roaming agreement that is satisfying.

Obviously, with backhauling and whatnot, for sure, this is not what Xplornet got when it went into the trade with B.C. I think that even though it looked as though there was some competition maintained with Xplornet in that respect, the result was clearly not satisfying for Xplornet, because it didn't get the right assets to make sure that its journey would become viable.

Mr. Ali Ehsassi: Thank you.

Someone was saying that in the event this merger is approved, the day for regional players will be over.

Mr. Péladeau, would you be concerned about a company possibly coming in and acquiring Quebecor if that particular merger was approved?

Mr. Pierre Karl Péladeau: I can give a very simple answer: Quebecor is not for sale, just as Cogeco was also not for sale, as we would find out from the Louis Audet family. Certainly, this is not the situation.

Personally, I inherited it from my father as Louis Audet did. My goal is to make sure that this company will continue as a family company and provide a great future for Quebecers and for Canadians beyond whatever the outcome of this transaction will be, especially on the wireless side.

Mr. Ali Ehsassi: We'll hold you to that, sir. Thank you.

Mr. Thomson, let's assume this merger is approved. Would you be concerned that this would lead to further consolidation because other players in the field will also consolidate?

Mr. Jay Thomson: Consolidation is always happening in this industry. This is just another step, and we expect that it will continue in the industry.

As I said at the outset, as the bigger companies get bigger, the harder it is for smaller companies to still have a voice and for their customers to ensure that they still have affordable rates and the same amount of choice as those who live in larger centres with larger players.

Mr. Ali Ehsassi: If this were approved, would that be sending the wrong signal, that others can do likewise?

Mr. Jay Thomson: It all depends on the conditions that are attached to this kind of deal, which are the ones that I've set out.

Mr. Ali Ehsassi: Absolutely.

Thank you. I'm out of time.

The Chair: Thank you very much.

[Translation]

Mr. Lemire, you have the floor for two and a half minutes.

Mr. Sébastien Lemire: Thank you, Madam Chair.

I'll continue my questions with Mr. Péladeau.

Rogers says it will invest more than \$6 billion in western Canada to build out its 5G network, focusing obviously on all the benefits that will have for rural, remote and indigenous communities.

Living as I do in a remote region, I admit I'm not particularly eager to have 5G. We know it involves shorter-range waves. I think it's much less suited to large, thinly populated areas.

Is 5G really the panacea, as Rogers tried to have us believe last week? A number of incredible ads were broadcast about Bell's 5G during the hockey game I watched yesterday. Is 5G that important for the future?

Mr. Pierre Karl Péladeau: Wireless telephony has evolved like any other technology or product ever since it's been around. For example, cars in 1910 weren't the same as those of 2021. The same is true of telephony. We went from 1G to 2G, then to 3G, 3.5G and 4G, which is LTE, and then LTE Advanced. Now we're going to 5G. Then we'll have 6G and then 7G. It's a bit like versions of Microsoft.

Do new technologies make for better service? Yes. We've gone from voice to data, and soon we'll have the Internet of things. Will it be a revolution? No, it won't; it'll be the natural evolution of technologies that become established, as they do in all other industries.

What's important is that telecommunications is a very capital-intensive industry. In other words, it requires investment. We invest between \$800 million and \$900 million every year, excluding spectrum auctions. That shows you just how much this is part of our industry. Yes, we generate a lot of money, but we also make enormous investments, precisely so Canadians can have better communication services. Incidentally, we observed during the pandemic that Canadian networks are so robust because we keep investing.

It's important to have competition. If my memory serves me, sir, you represent a riding in Abitibi. There was previously no competition in that region; there was just Bell. Now there's competition. Prices have dropped since we and another player set up shop there. Once again, that clearly shows that competition results in lower prices.

• (1520)

Mr. Sébastien Lemire: Yes, I've noticed that.

Thank you very much.

The Chair: Thank you very much.

[English]

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.

To Mr. Thomson, one of the concerns I have with regard to the myriad of potential solutions for how to deal with this is that everybody seems to have a plan about how to do some type of surgery on the merger to spin something off, like a component, or they want it go to a different provider and so forth. As those could all end up being failed propositions—and the market will determine that later on—we could still be without a fourth carrier.

Wouldn't it be better to basically reject the merger, continue with the plan and perhaps look at alternatives for how we roll out regulation to meet customer expectations? I worry that everybody has an idea on how to cut up parts of this deal and will try to stick them onto other things like a Frankenstein monster and then pretend it's going to work properly for consumers. Then we'll have the fourth one disappear.

Mr. Jay Thomson: We've been trying to get competition in the wireless market in Canada for years and years. The chosen approach at one point had been the fourth carrier. Notwithstanding that we have regional players like Freedom, we still had consumers and consumer groups lining up in droves before the CRTC a year ago to seek greater competition through the MVNO process. That is ultimately the solution to competition. It's not about whoever gets the pieces that are going to be broken off from this deal.

Mr. Brian Masse: You still believe in that. Okay. I just think it's important to note, though, that when any one of these four is diminished and reassembled, we still have less competition.

Thanks, Madam Chair. Those are my questions.

The Chair: Thank you very much.

Our next round of questions goes to MP Généreux.

[*Translation*]

You have the floor for five minutes.

Mr. Bernard Généreux: Thank you, Madam Chair.

I would remind all my colleagues that we have three witnesses with us. We seem to have forgotten Mr. Pruneau from the very start.

So I have a question for the three witnesses.

[*English*]

Is it a go? If so, how or why?

Monsieur Pruneau.

[*Translation*]

Mr. Jean-François Pruneau: As Mr. Péladeau mentioned, I don't think anyone wants the fourth operator with facilities in the Alberta, British Columbia and Ontario market to disappear. If a change in ownership were to be transacted, I think it would have to be subject to binding conditions for the disposal of that asset, conditions respecting all elements needed to operate a wireless services business, not just the number of subscribers. Consideration would obviously have to be given to the entire spectrum portfolio, but it would also have to be determined whether any suitable and fair agreements were in effect respecting roaming, use of the wireline transport network and tower sharing. All those conditions would have to be considered.

I think that's one of the mistakes that was made in the transaction between Manitoba Telecom Services and Bell. The parties broke down the competition by directing some subscribers to Xplornet and others to Telus without necessarily subjecting those transfers to other conditions that would guarantee viable and sustainable competition.

• (1525)

Mr. Bernard Généreux: Thank you.

[*English*]

Monsieur Thomson, what do you think? Is it a go or a no go?

Mr. Jay Thomson: I'm sorry, but could you repeat the question?

Mr. Bernard Généreux: Do you think we should go ahead with it? If so, why?

Mr. Jay Thomson: Again, it all depends on the conditions that are attached to it. If ultimately there are rules to ensure that consumers are protected from this and it's to the benefit of consumers, then yes, I guess you should go ahead with it. But there are a lot of things that have to happen. There are a lot of rules that have to be put in place to make sure that this is indeed the case.

[*Translation*]

Mr. Bernard Généreux: Do you share that view, Mr. Péladeau?

Mr. Pierre Karl Péladeau: That's correct, sir. I think Mr. Pruneau has accurately summarized our position.

Mr. Bernard Généreux: All right.

I'd like to put my last question to you, Mr. Péladeau.

Going back to the service resellers issue, I found it unusual that you characterized them as parasites, since you candidly admitted you had initially been one yourself. I even think I've heard you say in the past that there was no need for resellers.

Today those resellers sell services equivalent to yours at lower cost because the CRTC has granted them a basic cost reduction. How does that undermine the introduction of your technologies, particularly as regards 5G?

Mr. Pierre Karl Péladeau: I should tell you that that's incorrect. We have never said we were opposed to resellers. On the contrary, we think they encourage competition. So we're in fact in favour of their being in the market.

However, you have to see what the resale conditions are. As you know, a decision has been made, and the government has said it wants to review it. It has asked the CRTC to review its homework, as it were.

There has to be a balance in everything. If you pull an elastic band too hard from one end or the other, it may snap. Were the prices previously charged too high? I don't think so. You have to take many factors into consideration and perform a complex calculation in order to set prices. Never forget that, when you say third-party Internet access, or TPIA, you talking first and foremost about all Internet access, not wireless services. Wireless services are currently covered by an authority. So we'll see how things turn out.

You also have to understand that wireless assets aren't the same as in the wired services sector. The wired sector has no spectrum component.

So it's incorrect to say we're opposed to TPIA. We're in favour of it, but a fair price has to be determined based on past investment by network builders. You also have to avoid creating an environment that doesn't encourage operators to invest in maintaining the network quality we have in Canada, which is among the best. Citizens and businesses must continue to enjoy a network conducive to very high productivity. Never forget that a telecommunications network is an essential tool to a country's productivity.

Mr. Bernard Généreux: Thank you very much, Mr. Péladeau.

The Chair: Thank you very much.

[*English*]

Our last round of questions for this panel will go to MP Erskine-Smith. You have the floor for five minutes.

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

I want to start with Mr. Péladeau. We had executives from Rogers and Shaw before this committee a couple of days ago, and they said that the deal would increase competition, not reduce competition, pointing to the intensity of competition.

What do you make of those comments?

Mr. Pierre Karl Péladeau: I would say that history shows that when you have four operators, you'll be able to enjoy more competition. Therefore, that will be shown in the prices and different offers available to consumers. Otherwise, fewer players means less competition.

It's true in Canada, but it's true elsewhere. There have been many debates take place in Europe regarding the need for three or four operators. Most of the competition bodies there were in agreement. Quite simply, they found that a fourth operator would bring more competition. This is how it works.

• (1530)

Mr. Nathaniel Erskine-Smith: Just to pick up on that, you've said in answer to my colleague MP Poilievre's questions that, at a minimum, if this deal is approved, it has to come with a condition that Freedom be spun off and continue to operate as a fourth competitive entity.

Are there any other conditions that you think ought to be imposed if a deal were to be approved?

Mr. Pierre Karl Péladeau: My intervention is to make sure that we will get and we will provide a competitive environment for Canadians in the wireless business. We don't compete against Shaw

and the cable business, the Internet access business or the wireline telephony. I think that Shaw has been able to provide a very good service. In all those services, they are competing against a very large company on the western side of the country, which is Telus, which has been providing television as well for many years.

This is how it works. It's been providing for and servicing the market adequately, given also that you have smaller cable companies and also TPIAs that are providing a competitive landscape.

It's less true on the western side of the country. You will find fewer TPIAs available than you will find in Quebec, which is probably another reason why the wire line market is very competitive. If you want to make sure that you get competition in the wireless market, a fourth operator would be the best formula and the best solution.

Mr. Nathaniel Erskine-Smith: Understood.

Mr. Thomson, I'll go to you with the same question. When we look at conditions, it seems that at a minimum, if this deal were to be approved, it couldn't be that Freedom would be rolled into the big three. What other conditions, if any, would you say are absolutely necessary for a deal to be approved?

Mr. Jay Thomson: Our position is that four isn't even enough in terms of the number of competitors out there to make sure that there are cheaper rates and more choice across the country. We forget that, in the focus on wireless in this arrangement, there is an impact on the cable side of the business, and the Internet side, with the growth that will occur for Rogers if it takes over Shaw.

That size, as I outlined in my opening remarks, has an impact on prices for cable television services. We need to have rules that confirm the CRTC's authority in the Broadcasting Act to protect consumers. Those same kinds of rules need to apply on the Internet side to protect consumers from the Internet operator using that size to reduce choice and access to Internet services, which is a real possibility.

Mr. Nathaniel Erskine-Smith: Mr. Thomson, we have heard that there are three reviews set. ISSED is reviewing this. The CRTC is reviewing this. The bureau is reviewing this. The bureau, it seems to me, has the biggest role to play, yet in March they came out against the Air Canada-Transat merger and the government approved it anyway. Do you have concerns that, regardless of what the bureau says, they're not going to be listened to?

Mr. Jay Thomson: The bureau has a role to play. I can't get it in advance as to how people will react to what the bureau does, but we're confident that it will meet its mandate.

Mr. Nathaniel Erskine-Smith: Finally, Mr. Péladeau, if Freedom is spun off, are you open to foreign ownership of the fourth carrier to ensure competition?

Mr. Pierre Karl Péladeau: You know, foreign carriers unfortunately prove.... We saw what took place with Wind Mobile at the beginning of the auction in 2008. This was a failure. You need to be an operator and you need to have a strong financial base to be able to succeed. I guess foreign carriers are not able to bring this at the moment.

The Chair: Thank you very much.

That wraps up our first panel for today.

[*Translation*]

Mr. Péladeau, Mr. Pruneau and Mr. Thomson, thank you for coming and testifying today.

[*English*]

We really appreciate hearing from you.

With that, we will suspend momentarily to allow our first panel to leave and our second panel to join.

• (1535) _____ (Pause) _____

• (1535)

The Chair: We will now resume.

Thank you so much to our three witnesses for being with us today.

From OpenMedia, we have Laura Tribe, executive director—it's a pleasure to see you again. From Public Interest Advocacy Centre, we have John Lawford, executive director and general counsel; and from TekSavvy Solutions, we Andy Kaplan-Myrth, vice-president, regulatory and carrier affairs.

Each witness will present for three minutes, followed by rounds of questions.

With that, we will start with Ms. Tribe.

You have the floor for three minutes.

Ms. Laura Tribe (Executive Director, OpenMedia): Good afternoon.

My name is Laura Tribe. I am the executive director of OpenMedia. I'm speaking to you today from Ottawa, as a guest on the traditional unceded territories of the Algonquin nation.

Today, as we discuss the fate of Canada's communication systems, I'd ask you to remember that indigenous peoples from all across the country are still working to access the Internet on their own terms, all while continuing to be amongst the most underserved in terms of Internet access, in many cases underserved by the companies we are here to discuss today.

This is the third time I've spoken before this committee in the past year. At the last two appearances, we discussed the critical need for action to bring affordable connectivity to everyone in Canada, especially during the pandemic. Unfortunately today, instead of talking about the progress we've made since, we're here to

talk about a dramatic step backwards in that fight. I'll make it simple: Canadians can't afford this deal. You must oppose the sale of Shaw to Rogers.

You must oppose this deal if you care about affordable Internet access in Canada. You must oppose this deal if you care about bringing more choice and competition into Canada's cellphone markets, if you believe in improving customer service, if you believe in protecting jobs in western Canada, if you believe small and local providers deserve a chance. You must oppose this deal if you believe in bringing adequate connectivity to rural, remote and indigenous communities across Canada.

Big telecom is already too big. Canadians already have too few choices. We simply can't afford a massive step backwards.

Rogers filled its press release of the deal with promises for everything Canada wants: jobs, 5G, and rural, remote and indigenous connectivity. When Bell purchased MTS in 2016, we heard similar promises. We also saw similar results to what we'll see here: Prices went up, people were laid off and competition went down. Promises were broken.

As nice as Rogers' big promises might sound, there is absolutely no way to hold Rogers accountable. There are no guarantees of what will come if this deal is allowed to pass, except one: Canadians will suffer.

Almost 19,000 Canadians have already signed a petition opposing this deal. Stop letting big telecom hold Canadians hostage, desperate for whatever connectivity we can get. It's time to stand up to them, please.

Thank you.

The Chair: Thank you very much, Ms. Tribe.

We will now go to Mr. Lawford.

You have the floor for three minutes.

Mr. John Lawford (Executive Director and General Counsel, Public Interest Advocacy Centre): Thank you, Chair and members of the committee.

The Public Interest Advocacy Centre has advocated for consumers for over 40 years in communications law and policy. This committee cannot stop Rogers from acquiring Shaw. Mergers are controlled by the Competition Act. The CRTC approves broadcasting distribution deals and ISED approves wireless spectrum transfers. What this committee can do is to help stop the next deal and to help stall this one until some regulation to support new competition has a chance to take hold.

If this committee is disturbed by hearings on this deal, you can recommend, and Parliament can enact, a key change to help stop the next merger: Repeal section 96 of the Competition Act, the so-called “efficiencies defence”.

The efficiencies defence is an embarrassment to Canada. No other economic peer country has this defence for corporations, effectively allowing them to merge even when competition is reduced. The efficiencies defence is a stand-alone provision. It can be excised from the Competition Act with no other effects, other than simply requiring merging companies to show their merger will not prevent or lessen competition. Repeal section 96.

As for this deal, this committee can recommend that the Minister of ISED and the competition commissioner hold up reviews and approvals until two key regulatory decisions are made by the CRTC that will set the table for new competitors that may help minimize the anti-competitive effects of this deal.

The first decision is on the mobile virtual network operators, or MVNOs. If the CRTC allows such MVNO competitors, there will be some ability for customers to switch providers to competitors other than the big three. However, if that decision puts restrictions on MVNOs that frustrate them, then there will be no wireless competitors to replace Shaw and Freedom in much of Canada.

The second decision is on wholesale wireline Internet delivered over fibre. The CRTC has set a rate for this new delivery method that permits wireline competitors to take on dominant Internet companies like Rogers. Without it, competition to Rogers will falter, especially out west.

Thank you very much, and I also welcome your questions.

• (1540)

The Chair: Thank you very much.

Our next presenter is Mr. Kaplan-Myrth.

You have the floor for three minutes.

Mr. Andy Kaplan-Myrth (Vice-President, Regulatory and Carrier Affairs, TekSavvy Solutions Inc.): Thank you, Madam Chair, Vice-Chairs and committee members. Thank you for the opportunity to speak with you.

My name is Andy Kaplan-Myrth, and I am VP, regulatory and carrier affairs, at TekSavvy, an independent Canadian Internet, phone and TV service provider with teams now working from their homes in southwestern Ontario and Gatineau, Quebec.

TekSavvy has been serving customers for over 20 years. Today we have over 300,000 customers in every province, and we're proud to provide excellent, affordable, client-focused service.

I'm happy to return to the committee today to offer TekSavvy's views on the effects and the consequences of the Rogers-Shaw merger.

Without strong regulatory oversight and enforcement, it is clear that fewer competitors and further consolidation of market power will result in even worse outcomes for Internet and mobile users in Canada. Ultimately this proposed merger underscores the importance of regulation and oversight of the Canadian telecom landscape to protect and promote competition.

With that said, this titanic shift in the Canadian telecom industry does come with opportunities to do better. At a high level, the concerns around this merger relate to the apparent tension between investment and competition, but that is a false dichotomy. We're really talking about two different businesses: building networks and providing services. The same companies often do both, but they are distinct lines of business with different considerations for investment and competition, and many of these issues become clearer when you think about whether they relate to building networks or to delivering services.

The competition concerns with this merger are primarily about ensuring the availability of competitive services to consumers. As such, the merger of these two massive, vertically integrated companies needs to be made contingent on effective and efficient regulatory measures that promote competition for services and that protect consumers' interests in the Canadian telecom sector. In particular, the CRTC needs to finalize, enforce and commit to service-based competition by implementing the 2019 wholesale rates, ensuring access to fibre and mandating wholesale on mobile.

Finally, the Competition Bureau must be vigilant in protecting the consumer and competition from abuses of market power. In particular, the efficiencies defence only works if the bureau ensures that parties with market power don't abuse their dominance and use these efficiencies to squeeze out competitors.

In closing, to accelerate the building of networks for people in underserved areas, Canada's broadband plan must include competition by design, and it must reject the false dichotomy between investment and competition. As TekSavvy continues to demonstrate, we can have both.

Thank you again. I look forward to your questions.

• (1545)

The Chair: Thank you very much.

We'll now start our rounds of questions. Our first six-minute round goes to MP Dreeshen.

You have the floor for six minutes.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): Thank you very much, Madam Chair.

Thank you so much to our witnesses. It's been a very interesting afternoon.

We look at this largest merger agreement in Canadian history. It's going to have profound implications for everyone.

I'd like to start my questioning with OpenMedia. In 2018 the vice-chairman of Rogers Communications, Phil Lind, told the news media that Canada's telecommunications sector is ripe for consolidation amid billion-dollar deals seen by its industry peers. South of the border was what he was kind of looking at and alluding to.

He went on to add that the Canadian government has kept too many players in the industry by offering incentives such as cheap wireless spectrum. He also [*Technical difficulty—Editor*] because of our population, we weren't large enough to warrant all of these telecommunication carriers.

I am just wondering what your thoughts are on those comments. Perhaps you could share with the committee your perspective of the consolidation trend and what Mr. Lind says about too many players in the industry for such a small population, since our witnesses on Monday hinted at the same idea.

Ms. Laura Tribe: I would respectfully disagree. When we look at Canada's wireless market in particular, there was a report released just this week that again shows we pay the highest prices in the world, and the direct correlation is the number of providers that we have.

Implying that having three national providers and the fourth carrier struggling to keep up is too many players is implying that they are comfortable with monopoly. I don't think that is the world we are trying to build. I don't think that's the telecommunications network and system that we need.

When we look at what has happened with consolidation in the U.S. and the Sprint and T-Mobile merger, that is another good example of what we can expect here. We saw jobs lost. We saw prices go up, and we did not see any of the promises kept. A consistent theme we see throughout these mergers is that there is a lot of talk to justify them at the time, but at the end of the day, it's about money.

Mr. Earl Dreeshen: I think they would disagree. They were suggesting that the prices are not the highest, that they're in the middle of the pack, but I'll leave that for another discussion.

This question is, again, for OpenMedia. What lessons do you think Canadians can learn from the acquisition of the Manitoba Telecom Services by Bell back in 2017? In that case, of course, there was a divestiture of things like store locations and that discounted spectrum. You noted at the time that it was going to erode competition in telecommunications and, ultimately, add to the increase in the price of services.

What tangible results have we seen from that acquisition, and what's been the overall impact on price and service availability?

Ms. Laura Tribe: At the time, the Competition Bureau said that this deal was going to have a negative impact, but it still permitted the deal to go through. With regard to some of the questions you were discussing with your previous panel about what amendments can be made to the deal to try to make it palatable, I think that Bell MTS is a really good example of how that doesn't work. It's like rearranging the deck chairs on the Titanic, trying to figure out how you can tinker with the margins enough to feel better about the decision, but knowing that, ultimately, it's going down.

When we see what happened with Bell MTS... We saw the jobs lost. We saw that they promised prices wouldn't go up, but they did. All of the things that were promised were to get the deal to go through. The small amendments that were made to try to built out Xplornet as a competitor didn't pay off because you're spinning out even smaller providers to try to compete where the regional provider couldn't keep up. I think trying to continue to carve things out smaller and smaller to justify the consolidation to the maximum legal limit is the exact opposite of what we're trying to do, which is to figure out what the end result is that we actually want, and that's a healthy market.

Mr. Earl Dreeshen: When you discuss the regional providers, including Shaw, they benefited from being able to acquire spectrum at lower costs throughout the set-asides. Unfortunately, these providers sometimes have a poor track record when it comes to investing and deploying that spectrum in rural communities. In fact, we understand that Shaw has, so far, deployed only about 8% of its holdings, despite acquiring more than \$1.7 billion of heavily discounted spectrum on the assumption that it's going to be competing with the big three on price.

I'm curious what your position is. Does there need to be a "use it or lose it" deployment condition attached to the licence to ensure that providers who do buy spectrum are actually putting it to use for all Canadians, including those who live in rural areas? What do you see that "use it or lose it" concept actually being?

Ms. Laura Tribe: I think that provision is really important, but it doesn't just apply to set-aside providers. I think that should apply to all providers. If we are making sure that spectrum is available, it is with the assumption that those communities are going to be served. Whether that's 4G or 5G service, we're seeing people really keen to buy that spectrum, yet we're not necessarily seeing the result in all of those communities across the board. I think that's something we would really need to take a closer look at as we move forward.

• (1550)

Mr. Earl Dreeshen: Mr. Kaplan-Myrth, you said "competition by design". I'm wondering if you could give us just a few examples of what you think that would look like.

Mr. Andy Kaplan-Myrth: Thank you.

Too often, policy is developed with the big incumbents in mind and the system that we have in mind. How competition can be encouraged is almost an afterthought in a lot of cases. With regard to the model that we have right now, individual examples are out there, but this applies to the entire model. We talk on the large scales about encouraging network builds, but really what people are talking about are the big incumbents instead of designing a system that encourages competition by design, so that small providers can also build networks and—

Mr. Earl Dreeshen: Thank you very much.

The Chair: Thank you so much.

Our next round of questions goes to MP Jowhari.

You have the floor for six minutes.

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

Thank you to all the witnesses. Those were quite informative interventions that you made.

Let me start with Mr. Kaplan-Myrth and TekSavvy, and continue on the competition.

As you heard in—or as I'm sure you reviewed—the previous committee interventions by Rogers, as well as Shaw, they talked about the fact that this merger not only increases the competition but also allows them to be able to expand and make investments in rural, remote and indigenous areas.

My question to you.... You talked about investment versus competition. What do you think Rogers means when they say that the competition is increasing, and what is your point of view regarding the competition?

Mr. Andy Kaplan-Myrth: This is why I was emphasizing this difference between two different businesses that are really operating in parallel, building networks on the one hand and competition for services on the other hand.

When most of us talk about encouraging competition, I think we're talking about an end-user's experience. Do consumers have choice? Are prices affordable? Do competitors compete for prices and actually affect each other's prices in the market?

When Rogers and Shaw were talking about network builds and the efficiencies of network building encouraging competition, they see a different kind of competition. They see other providers stepping in and maybe accelerating network build plans so that their speeds will keep up over time.

These are definitely important issues of competition, but they're different. As you develop policies and you think about what safeguards need to be put in place to protect competition, it's important to distinguish what kind of competition you're talking about so that the policies achieve the ends you're trying to meet.

Specifically, I don't think the kind of competition that Rogers and Shaw see resulting from this kind of a merger...I don't see that kind of competition resulting in better services for Canadians, more affordable prices and competition for services. It's a different element.

Mr. Majid Jowhari: Thank you. I'll go back to you again, Mr. Kaplan-Myrth.

Much has been made of the upcoming CRTC MVNO decision. Your company has been very vocal on this issue. Theoretically speaking, if Rogers were willing to waive its opposition to the mandated access, would your organization support that merger?

Mr. Andy Kaplan-Myrth: I'm sorry. Is the scenario here that as a condition for the merger to go ahead Rogers would agree to mandated MVNO?

Mr. Majid Jowhari: Yes.

Mr. Andy Kaplan-Myrth: Look, I don't think we are primarily opposed to the merger in the first place. We also don't support it.

My concern is more with the fact that a merger like this can happen and can eliminate a fourth player and result in another consolidated giant telecom with incredible market power. That should remind all of us of why wholesale has such an important part in promoting real service layer competition and encourage the CRTC to develop policies that really encourage service layer competition.

To me, it's not so much as a condition of this or not if Rogers were to support MVNO. I think that would be great and a lot of companies would probably take advantage of that as an opportunity, but more importantly, just the fact that we're all realizing what kind of a precarious situation telecom competition is in makes me think that, really, an MVNO solution is the only way to go.

• (1555)

Mr. Majid Jowhari: I have a last question for you, Mr. Kaplan-Myrth.

In terms of an investment view your company would take when this merger happens, if it happens, how would it impact your decisions on making investments in various regions within Canada?

Mr. Andy Kaplan-Myrth: I should be clear that our primary investments in facilities are around our headquarters in Chatham-Kent in southwestern Ontario. This merger would not directly affect our investment plans where we're building fibre and fixed wireless, but there is an aspect where Shaw and Rogers do compete with each other on wire line for competitors' attention and competitors' energy.

It's not just Shaw and Rogers, but all underlying carriers, incumbent carriers. To the extent that some carriers offer us better services or give us better rates, that may attract our attention there, and we may put more energy into growing in that part of the country or on their network.

That does drive some of the dynamic of competition in Canada, and there is a very real risk that this would flatten some of that and there would not be that competition between regions or between Rogers and Shaw.

Mr. Majid Jowhari: Thank you. I'm out of time.

[Translation]

The Chair: Thank you very much.

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

Mr. Sébastien Lemire: Thank you, Madam Chair.

I'll begin with Ms. Tribe from OpenMedia.

First of all, what do you at OpenMedia think of 5G? Will that technology actually provide the innovative connection solutions we're promised for rural and indigenous communities and remote regions? Will 5G provide benefits for those regions?

[English]

Ms. Laura Tribe: Thank you.

I think there is a world where 5G can lead to a lot of innovation for indigenous, remote and rural communities. There's a lot of talk of what it can do for farming communities, for example, and how it can actually help with our agricultural industries. I think the concern I have, and that a number of people have, with 5G is that the promises of what it can do for rural Canada are very far from where we are in actually implementing it in rural Canada.

In the same way that we have seen all other Internet technologies start in the most densely populated areas and work their way out, 5G will follow the same footprint and the same path. We've heard from the companies themselves that they're looking to deploy their

5G technology starting in cities like Toronto, Vancouver and Montreal, and rolling outward from there.

A lot of the talk about what it can do is dependent on not just its first being served to those who already have the best Internet access but its being reliant on things like fibre as the backbone to actually get there, which, as we know through previous conversations around Internet infrastructure, is far from reality in a number of those areas. We're a long way away from there.

[Translation]

Mr. Sébastien Lemire: So you're very much afraid the Shaw and Rogers merger may have a major and negative impact on service rates.

Could you please try to quantify the impact of that merger on customer rates?

[English]

Ms. Laura Tribe: It's hard to predict specific prices, although everyone wants to be able to do that. What Rogers promised for Freedom cellphones, as an example—and this is not just about cellphones, but it will impact home Internet as well—is that for the next three years Freedom cellphone prices will stay the exact same. However, when you actually look at what's been happening in the cellphone market overall, prices have actually been coming down slowly in Canada, slower than they have around the world but they have been coming down. Therefore, even just staying where we are is falling further and further behind, and Freedom itself has been the one that has been helping push Bell, Telus and Rogers to lower their prices.

If you have them locked in, then, and there's no pressure for the other companies to lower their prices, immediately I think you're going to see the effects of that.

• (1600)

[Translation]

Mr. Sébastien Lemire: What do you expect the CRTC and the Competition Bureau to do about Rogers's potential acquisition of Shaw?

[English]

Ms. Laura Tribe: I hope they look at this really closely, and I hope they understand just how big a decision this is and what an impact it will have.

Looking back at how the Bell MTS deal was handled, it's not encouraging, because even though all of the flags were raised about what damage it would do, it was allowed to proceed anyway.

However, I really hope that the CRTC, the Competition Bureau and the minister and cabinet learn from previous decisions and previous mistakes.

[Translation]

Mr. Sébastien Lemire: Thank you very much.

I would put the same question to Mr. Lawford from the Public Interest Advocacy Centre.

What do you expect from the CRTC and the Competition Bureau in the current circumstances?

Mr. John Lawford: I expect the Competition Bureau to conduct a thorough investigation. We'll be there to advocate consumers' interests. As I indicated in my remarks, it's been proven by means of a rigorous test that this major merger would hurt consumers more than it would promote efficiency gains for both businesses.

As for the CRTC, it has a very limited scope of action in the matter. In fact, it can only rule on the question whether the two companies can switch wireline services. That doesn't change much. This is really a review of broadcasting distribution. So I don't expect the CRTC to intervene. I do hope it will render an earlier decision on its review of mobile wireless services.

Mr. Sébastien Lemire: That's perfect. Thank you. Thanks as well for your effort to answer in French.

I have a second question for you.

There are no signs that Shaw is in financial difficulty. Despite the fact we obviously don't know the reasons for the sale of the business, what you think are Shaw's reasons for selling its operations to Rogers?

[English]

Mr. John Lawford: I'll answer in English if you don't mind.

The Shaw family, of course, is at that stage where they may want to cash out, and they're going to have a seat on the board. It's also, unfortunately, showing the difficulty of mounting a full attack and being a fourth player in Canada. I think it's tiring and it takes a lot of capital, and even with all the advantages they have of being a big, strong cable, they're feeling the heat. However, at the end of the day it's about money, it's a big deal, and they're probably just cashing out.

[Translation]

The Chair: Thank you very much.

[English]

Our next round of questions goes to MP Masse.

You have the floor for six minutes.

Mr. Brian Masse: Thank you, Madam Chair.

I've seen this scenario before, starting with Minister Rock. Ministers Robillard, Emerson, Bernier, Prentice, Clement, Paradis,

Moore, Bains and now Minister Champagne have had to wrestle with this since I've been here.

In the 1990s, Canada had a regulatory process. Wouldn't it make some sense right now for us to get things in check, and get things in order right now, by bringing in—similar to water and other types of utilities we have, since this is a public asset—some type of a regulatory approach for some base services to settle things down, especially during a time when this is obviously an essential service, as has become so clear with COVID-19, for education, social inclusion and so forth.

As Ms. Tribe noted, we have quite a discrepancy among our aboriginal communities as well. Doesn't it make some sense to perhaps take a pause here and make sure that basic prices are instilled in our regulatory processes?

I'll go to Mr. Lawford first, and then Ms. Tribe.

• (1605)

Mr. John Lawford: Raising the issue of whether to have either price regulation, which is what I think you're saying, or at least an affordable package for lower-income Canadians hasn't been favoured by the CRTC since the new act came in, in 1993. There have been many proceedings since saying they're getting out of the business of price setting. I think it would be a shock that would require the government to indicate to the CRTC that this policy had to be repursued. To the extent that you can do that in Parliament, I would highly encourage that policy statement from the government, whoever forms it.

In terms of an affordability package, we've been pushing one for years because cellular service, in particular, is out of reach for many Canadians, and we need a subsidy for those folks.

Mr. Brian Masse: Ms. Tribe.

Ms. Laura Tribe: I think you raised two important issues. One is price, and one is service. When you look at remote and indigenous communities, these often go hand in hand, but very often it's so expensive because they are so underserved. The actual service is not available. I think that's where we look at the need to have the government support building the infrastructure.

In this deal there's a lot of talk and promises, but there's absolutely no accountability. There's no transparency into what is currently planned or what would be any different should this deal go through, other than it sounds nice and it's something we need desperately.

I think one of the biggest things we could do for prices for those underserved communities is to make sure they have access, because once you do that and you look at the number of providers over the wholesale regime that are now available, the types of different choices that people have, it's very different from being stuck with a dial-up connection or a single satellite provider. I think that would go a long way, in addition to making sure there are affordability mechanisms in urban areas as well.

Mr. Brian Masse: What's often lost in this conversation is that the use of public right of way, be it on the ground or in the air, is a privilege, not a right. It is owned by the Canadian public, and we have complete control at the end of the day on how we want to exercise that in our society and our communities.

Mr. Lawford, you specifically raised the efficiencies defence. I'm not sure everybody's aware of that, but this is archaic. If I'm correct, I think we're one of the last countries to even have this relic because it really is an excuse. We've seen that through the propane case, as an example, where consumers really got the bum's rush at the end of the day and competition was shut down because of, basically, this cleanup that is necessary in the legislation.

Mr. John Lawford: The efficiencies defence is something that the Business Council of Canada urged be put into the Competition Act when it was reviewed in the nineties. It's an unfortunate appendix that we should really cut out, because we are pretty much alone in OECD countries with that kind of defence.

What it does is.... Even if we go in and prove that a four to three merger is bad, even if we go in and say the wireline control is now going to be in the hands of Bell and Telus and Rogers nationwide and that's not good for competition, if Rogers shows that they're going to, in effect, save money by combining the two, with their capital expenditures and so on, they win. It's like putting your hand on the scale. It's impossible for us to counter that unless we do quite a difficult proving exercise, and the Supreme Court made it even harder recently in a case called Tervita.

We'll try, but it is something that Parliament should re-engage with.

Mr. Brian Masse: To Ms. Tribe, I have a lot of faith in the capabilities of the Competition Bureau. They have some excellent women and men working there, who have done some tremendous work.

They have, though, been on the record, coming in at different times—I don't need to read through all the ministers again—asking for more resources or for enhanced resources.

I'm worried about their not having the tools necessary to delve in and also to be respected. Do you have any concerns about that, or am I just basically on the wrong side on that particular point?

Ms. Laura Tribe: No, I would agree with you.

I think it is well past time to look at the Competition Act, at the powers of the competition commissioner and at what the bureau is able to do, to look at what competition actually means in this country.

When you look at a number of industries, telecom being an excellent example, there is a long history of oligopolies or govern-

ment-sanctioned monopolies that do not provide the competition that I think we would like to believe the bureau is there to support.

Mr. Brian Masse: I know that I'm running out of time, so very quickly, Mr. Andy Kaplan-Myrth, is TekSavvy going to be part of the spectrum auction coming up? Do you have any thoughts as to whether it should be delayed?

• (1610)

Mr. Andy Kaplan-Myrth: I think I am out of time, and I'm not sure that I can actually speak to it. Maybe I'll leave that there, and maybe we can get back to it.

Mr. Brian Masse: I'll try to get back to you next time.

Thanks, Madam Chair. I appreciate it.

The Chair: I think that was a "saved by the card". I think he was playing that one.

For our next round of questions, we'll start with MP Kelly.

Welcome to INDU. You have the floor for five minutes.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you. It's a pleasure to be here today.

I'm a Calgary MP, and I have received dozens of individual emails from constituents raising concerns about this transaction. Some of them are concerned about competition. Some of them are concerned about the impact of this deal on the local economy in Calgary and employment in Calgary. Many people who work for Shaw live in my riding and throughout the city. I would say though that the majority of the emails express concern about both.

I'd like to ask any of our panellists today to comment on the public argument being made by the proponents of the deal. It has been said and argued that the balance sheet of the merged entity will have the strength to make necessary investments to deliver 5G, that employment will be maintained in Calgary and, in fact, that there will be all kinds of new employment opportunities, and that ultimately in this deal consumers will be protected. In particular, the basic packages cannot rise for three years. Some would say though that any announcement of a merged transaction generally paints a positive view of it.

I'll ask any of our panellists to comment on the credibility of the claims, and whether a merger of this nature is necessary for this entity to have the balance sheet strength to make necessary investments in 5G.

Ms. Laura Tribe: You can go first, John.

Mr. John Lawford: If I may, I'll just say that most of the time when companies are merging and they're talking about efficiency gains, those involve employment. That means firing people. It may not happen over the next two or three years, but that's the amount of time it usually takes for two organizations to get together, so I don't think employment will be guaranteed, whatever is said.

In terms of some of the savings they might have through hardware and that sort of thing, you're really just replacing one with the other.

You also wondered about people who were calling and saying they were worried about prices going up. You also have to consider that prices will also go up for Telus users and Bell users, because when there are only three in the market, there is nothing to tether them down to the lower prices that Freedom used to provide. The Freedom people will be frozen at that deal, but you'll never get it. It will be only for people who used to have it. I think maybe some of your constituents are reacting to that.

Ms. Laura Tribe: I would agree.

I think we've heard promises that new jobs will be created. I'd be curious as to whether those are permanent, full-time jobs that people can bank on as careers, or if they're temporary contract transition jobs that are to transition some of the hardware that they actually have to make their network compatible.

We have a large community in western Canada at OpenMedia, and we've had thousands of people write in to us who are very concerned about what this means for jobs and for affordability. I think it's a pretty universal concern in particular in western Canada, knowing that it is very unlikely that companies want to maintain two finance departments and a duplication of everything.

To John's point about what mergers mean, they're trying to find efficiencies. They're not generating new jobs.

Mr. Andy Kaplan-Myrth: I wonder how different those comments from constituents would look if we had robust wholesale-based competition where we had lots of different providers offering services to customers, so that they're not just buying their service from Shaw or Telus and wondering where they're going to be stuck. To be clear, TekSavvy has customers in Calgary and throughout Shaw's footprint as well, and so do other wholesale-based providers, but that whole framework has really been crumbling over the past five years. We've been trying to get the CRTC to shore it up. If we had much stronger competition, lower prices and lots of realistic alternatives, then I think you probably wouldn't see the same concerns from constituents on the competition side.

I don't think I can comment as much on the job side, or at least I can't add to what John and Laura already said about that.

• (1615)

Mr. Pat Kelly: Thank you. Those were great answers. Yes, no merger announcement ever started with, "Great—we have an opportunity to raise our prices and pass on the additional revenue to our shareholders." This is where I think a lot of these concerns are coming from.

I don't know if I have time for another question, Madam Chair.

The Chair: Unfortunately, you have only three seconds.

Mr. Pat Kelly: All right. Thank you.

The Chair: Thank you very much, MP Kelly.

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 our witnesses for coming before our committee yet again.

I'll pick up a little on what Mr. Kaplan-Myrth was saying. When we were listening to Rogers and Shaw earlier this week, it was clear that what I had always thought of as competition, and what I think most consumers think of as competition—that is, many players competing for the same pool of customers—was looked at quite differently by both Rogers and Shaw. In fact, one of the representatives from Rogers used the term "dynamic competition". I have tried to look this up. I find it quite confusing.

Mr. Lawford, could you maybe elaborate on this concept of dynamic competition? It sounded like Rogers was using that as their statement that there was increased competition.

Mr. John Lawford: I think it's a business gobbledygook term. It doesn't actually have any meaning. I think what they're thinking is that they will be larger and better capitalized and, therefore, will be able to roll out services on the pace they want to, where they want to and when they want to, because there are fewer players and they don't have to turn and face a fourth competitor in the market and divert resources.

I believe that's what these guys are calling dynamic competition. It's more control over competition.

Ms. Helena Jaczek: In other words, with fewer players, they can actually potentially access a bigger piece of the pie that's out there, in essence. That's the way I ended up interpreting it. Would you say that's how it could end up?

Mr. John Lawford: I think you did about as well as anybody could with that term.

Ms. Helena Jaczek: Thank you.

Given the fact that the efficiencies defence does still exist in the Competition Act, and given the fact that Rogers is saying that as a larger, better-capitalized company they will be able to invest in 5G, with all the commitments that they have made and that are on their website, etc., how...?

Is there any way the Competition Bureau, notwithstanding this efficiencies defence, could somehow make it a condition that Rogers in fact does deploy the 5G commitments they're making to remote communities and indigenous communities? Is that potentially a condition that could be put on an agreement to this acquisition?

Mr. John Lawford: Yes. The Competition Bureau, when they have a settlement with merging companies, can put in conditions. They can follow up usually up to five years afterward. They could dream up any conditions to put on here.

I would just say, on the efficiencies defence, the Competition Bureau could win that as well. If prices go up in the entire industry, that's what's called a dead-weight loss and that goes on the consumer side of the scale of this efficiencies balance. Also, if the shareholders of Rogers get a lot more money, well, who owns shares in Canada? It tends to be the people in the top quintile of income. That's counted as a loss to lower-income Canadians. That goes on the consumer side of the scale too.

The Competition Bureau could conclude that the efficiencies are actually on the consumer side and say no to the deal. They did that with Bell MTS, but at the end they brokered this fig-leaf deal with putting on Xplornet, which was a travesty. They could be taking a hard line. Your committee, if they mention something about the efficiencies defence, could give a little steel in the spine of the Competition Bureau.

Ms. Helena Jaczek: That's reassuring to us to an extent. It's hard to see who on earth is in favour of this merger other than the shareholders and the families involved. As Ms. Tribe has shown with her petition and so on, it's clear. I haven't heard anyone in favour. It's reassuring that the Competition Bureau can balance those competing interests to a certain extent.

Ms. Tribe, how would you feel if there were conditions such as Mr. Lawford has potentially described? Would you be satisfied in any way?

• (1620)

Ms. Laura Tribe: I would have to get really creative in the number of conditions I could possibly put forward to find something that would offset this enough to make it worthwhile. I think we are so far from where we need to be under the current circumstances that trying to take so many creative measures to prevent our going backwards is a bit much.

I'm sorry. We're out of time.

Ms. Helena Jaczek: Thank you.

The Chair: Thank you so much. That's the first time a witness told me they're out of time. It's refreshing.

Our next round of questions goes to MP Lemire.

[Translation]

You have the floor for two and a half minutes.

Mr. Sébastien Lemire: Thank you, Madam Chair. I'll try to exercise the same discipline.

My question is for Mr. Kaplan-Myrth, another regular visitor to our committee. I'm going to ask him a question I asked him in December.

How could the federal government promote the continued operation or growth of a fourth player in the various telecommunications markets in Canada? I'm obviously talking about the government, not necessarily the Competition Bureau or the CRTC.

[English]

Mr. Andy Kaplan-Myrth: The fourth player is really the wrong strategy. As long as we have this strategy of nurturing a fourth player to introduce some degree of competition, we're really designing the system to fail. We're going to be one merger away from complete collapse of competition. A fourth player may be enough to influence prices to some degree, but it is not robust competition that can survive major deals like this one. This is clearly not going to be the only deal like this on the horizon.

What can the government do to encourage a fourth player? I think it's the wrong strategy. It's certainly not what I described as competition by design. I think, rather, what the government needs to do is to put its energy into encouraging other forms of competition for services so that this fourth player issue doesn't become.... It's not really the goal.

[Translation]

Mr. Sébastien Lemire: Then what role does TekSavvy want to play to promote the best possible services and the greatest affordability in the present situation? What are the possibilities that you see given the potential consequences of this merger?

[English]

Mr. Andy Kaplan-Myrth: The CRTC right now is considering final rates that are the bulk of what a business like TekSavvy relies on right now. Those are the regulated wholesale rates for most of these services. Those have been under appeal for years. I don't have enough time to go into the details of that, but if the CRTC finalizes its 2019 rates, TekSavvy and lots of other competitors will use those rates to lower prices, which will have an effect on Internet prices across Canada. It will lower prices across the board.

[Translation]

The Chair: Thank you very much.

[English]

Our next round of questions goes to MP Masse. You have two and a half minutes.

Mr. Brian Masse: Thank you.

To Mr. Lawford, because you mentioned the MVNO decision coming from CRTC, maybe you can highlight a little bit more the importance of that.

I don't blame Rogers. It decided right here it's just going to buy instead of build. That's why it went after Cogeco, and this decision has relevance to that. Can you maybe highlight that a little bit? I don't think it gets enough attention. That could introduce some competition, but I think the real reason it made the play on Cogeco was to bring it into the fold before it actually became a player.

Mr. John Lawford: Yes, you're right. The CRTC MVNO decision is going to probably allow mobile virtual network operators, but the details are the devil here. There are some hints in the hearing that it was only going to be for players that had facilities already, like Cogeco, like TekSavvy, that own their own stuff, not people who would come in and start a true mobile virtual network, a light MVNO.

If that's the case, then, I think that trying to take out Cogeco would have been smart because it has facilities. Then you take out Shaw, which also has facilities. Then you pretty much have very small or no MVNOs to compete with. That may be the strategy.

• (1625)

Mr. Brian Masse: Yes, and that decision is going to either open up.... I didn't realize it was on until you had their.... I don't always follow the hearings. I appreciate that.

Ms. Tribe, with regard to the previous panel, we had Vidéotron appear. They actually sold part of their spectrum. They granted the Toronto licence they had to Rogers. Mobilicity is also gone. We're actually strewn with castaways over the last 10 years with start-ups and so forth. You're just saying right now, don't even provide some type of.... I guess I would use it as a Frankenstein type of approach: to try to bust up Shaw in pieces and hope they stick together to other components and create competition, and we'll still have less.... Is that correct?

Ms. Laura Tribe: Yes, that is correct. When we look at the ways that companies are, you can carve them up and try to shave them into something that is not quite too big, by whatever standards, but if they're already too big to start with and you're still letting them combine their capacity in one way or another, it still leads to a problem. I think that's why the entire approach, when you talk about Mobilicity or you talk about Wind, which is now Freedom, which may soon be Rogers.... All of that is based on this approach of facilities-based competition, which is that you have to build it yourself to be able to compete.

I understand the Shaw family struggles. It is hard to go up against companies like Bell, Telus or Rogers, which have had decades of a head start, and to start from scratch. That's where, to the point about wholesale, this is so important.

Mr. Brian Masse: Thanks, Madam Chair.

The Chair: Thank you very much.

Our next round of questions will go to MP Kelly.

You have the floor for five minutes.

Mr. Pat Kelly: Thank you.

I'd like the witnesses to comment on the extent to which this deal is either a problem in and of itself, two large companies merging that may reduce competition, or rather a symptom of a broader problem that existed before and will exist after. I refer to the spec-

trum auction system and other aspects of our telecommunication regulatory framework that got us to this point.

All three of you can comment on that if you like.

Mr. John Lawford: Can I start by saying that it's both yes and...? It's both that the specific deal is a problem and also that it shows the destruction of 15 years of trying to have a fourth wireless player. This is the last chapter, and it will kill the policy if it goes through. This specific deal is bad, because in going forward to three, prices will go up. We had a merger in Austria, for example, from four to three, and prices went up 95% for the player that got taken over.

Mr. Pat Kelly: Okay.

I'll let each of the other two witnesses have a quick word and then, hopefully, I'll get another question in.

Mr. Andy Kaplan-Myrth: I also think it's both, but my main concern about it is that it's a systemic problem—or systemic issues, I guess—to the extent that, on the network side of the business, they can enjoy efficiencies because it's better for one company to be building one network than overbuilding, or two companies in different regions. That's clearly going to continue to happen. Those realities of business might just be the case, and it seems that this industry tends toward monopolies and duopolies, so I think that will continue to happen.

On the service side, the reason this is a problem is that we haven't really supported wholesale-based competition for a long time in this country.

Mr. Pat Kelly: Go ahead, Ms. Tribe.

Ms. Laura Tribe: I'm not sure how much time we have, but I would agree that it's both.

I think the deal itself is a problem, and I think the outcomes of the deal are a problem. The fact that this deal is even being proposed goes to show just how big our companies are and how much bigger they think they need to get in order to be able to keep growing. That's what the goal of these companies is. It's growth, and it's continued profit. This is the way they think. They think they need to do that next based on the way the current system is set up.

They also think it's okay. They think it's reasonable, and they think they can get away with it, which is why they're going for it in the first place and why they talk about it with such certainty. I think that is another thing that raises concerns around our Competition Act and the Competition Bureau. It's the fact that they don't even think there are questions when they put this forward for something of this scale.

Mr. Pat Kelly: I'm doing my best to try to be open-minded enough to hear all of the arguments for and against this transaction. I certainly share the concerns that I get in these emails about both competition and the impact on my local economy. The promise had been, I think, of 500 new research jobs to go into Shaw, but at the same time, I'm really struck by the absence of being able to hold any entity to any of the comments made at the beginning of a merge.

The last word on the difficulty is the tremendous investment that's required to get us into a 5G system across Canada that gets into the communities that are so terribly underserved and provide competition everywhere so that we can get better rates.

Will a larger entity that will compete with the other remaining entities...? Should there be an expectation that this large, new entity could provide competition to the other two?

• (1630)

Ms. Laura Tribe: I'll go quick and I'll try to leave John some time.

When you look at the underserved areas that we have now in rural, remote and indigenous Canada, it is because explicitly the companies have said that they do not find those areas profitable. There is nothing about this deal that suddenly makes those areas profitable to serve, which is why we have the universal broadband fund. It's why we need subsidies and support to guarantee that those areas get connectivity.

At the end of the day, there are still areas those companies are not going to want to serve, so I think the size of this company and some sort of megamerger does absolutely nothing to change the financial incentive to build it to those areas. That's why we need additional programs for that.

Mr. John Lawford: Just briefly, I would add that we don't know, if these two merge, how much Shaw and Rogers would have spent collectively. It's not clear from what they have said. They've just said they're going to spend \$2.5 billion on 5G, but how much would Shaw have spent plus Rogers have spent in the absence of this deal? It may be the same number.

The Chair: Thank you very much.

Our last round of questions goes to MP Lambropoulos.

You have the floor for five minutes.

Ms. Emmanuella Lambropoulos: Thank you, Madam Chair. I likely won't be using my full five minutes.

I'd like to ask Ms. Tribe a question. OpenMedia has commented in the past about the Bell MTS transaction. I was wondering if you can tell us about what has happened since then to competition in Canada and if we've seen a noticeable difference. We'll start with that question.

Ms. Laura Tribe: The clearest case to be seen is looking at cellphone services and wireless services in Canada. When you used to look at the provincial prices and you looked across, you immediately saw there was something that stood out in certain provinces, and it was that where there is a regional carrier or a fourth provider, those prices are lower. That included Manitoba, Saskatchewan and Quebec. Then you would see it in some pockets where Wind, or

then Freedom, was evolving at the time in urban areas in Ontario and B.C. in particular.

With MTS being sold to Bell, Manitoba no longer fits into that category anymore. They look the same as every other province across the country who has Bell, Telus and Rogers and all of their flanker brands and nothing else.

Even in urban centres where Freedom has that footprint, if you look at Vancouver or Toronto, you can get different deals based on what area of the country you live in. The same thing extended to Manitoba, but as soon as MTS was no longer that fourth option, we saw prices go up really quickly.

Ms. Emmanuella Lambropoulos: Can you talk about the barriers that currently exist for new competitors? Why is it so difficult for them to pierce into the market?

Ms. Laura Tribe: It depends on the type of new competitor. When you look at cellphone services in particular, it's the fourth carrier strategy that's really based on that idea of facilities-based competition. If you want to be a competitor on cellphone networks in Canada right now, until the CRTC rules otherwise in the MVNO decision, you need to come into the country with billions of dollars, you need to find a way to bid on spectrum to be able to purchase the air waves themselves to be able to build the network and then you need to start building cellphone towers across the country from one end to the other so that you have a service to sell to customers. You can't make any money until you've built that network.

That's why we've seen so many companies go the way that Wind did in being sold to Shaw. It's so hard to get off the ground when it's so long between starting and having your very first customer.

Ms. Emmanuella Lambropoulos: Thank you.

I know, Mr. Kaplan-Myrth, that you may have comments on that one as well. If you'd like to chime in, you can. If not, that's it for me.

Mr. Andy Kaplan-Myrth: On the mobile side, in a way, because of this strategy of encouraging a fourth player, we have this inefficient overbuilding that we don't have on the wireline side. With the wire line, to overbuild, you would need to have more wires coming into your home. Right now you have a phone company and a cable company. However, if Rogers just rolled out a network in Calgary and overbuilt, they would run new wires to people's homes in Calgary. That would clearly be inefficient.

In a way, what we've done on mobile is encourage this very inefficient fourth-player overbuilding model as though that is going to introduce enough competition. As Laura Tribe just said, it does lower prices in some markets where a fourth player becomes powerful enough to influence prices. However, clearly, because of the situation that we're looking at with Freedom right now, it doesn't create a long-lasting, robust model of competition that can survive a simple merger of two companies. We're always going to be one business deal away from the end of competition if that's our only strategy.

• (1635)

Ms. Emmanuella Lambropoulos: Thank you.

The Chair: Thank you very much.

That is our time for today. I'd like to thank the witnesses—

[*Translation*]

Mr. Sébastien Lemire: Madam Chair, with your permission...

The Chair: Do you have a point of order, Mr. Lemire?

Mr. Sébastien Lemire: Yes. In fact, I'd just like to make a comment.

I know this is theoretically a parliamentary break week, but I noticed at one point that nearly half the members of this committee had their cameras switched off. I therefore encourage us all to show a little more discipline. At one point, a Conservative member who isn't even a member of this committee was the only Conservative who had his camera on when he spoke.

I understand that some of us are at home. However, out of respect for the people we invite here, we should make sure this doesn't become a habit. We must show some discipline and be alert and attentive to the witnesses.

I'm not filing a complaint here, but I think this is important for our committee.

The Chair: Thank you very much, Mr. Lemire. Duly noted.

[*English*]

With that, I will thank the witnesses for being with us again today. It's always a pleasure to have you here. You're almost honorary members of INDU at this point. Thank you, again, for your time. It's greatly appreciated.

I'd like to give a special shout-out to all the folks who are helping us have these meetings in constituency weeks.

MPs, as you said, I know how hard it is to try to juggle constituency time as well as committee time and so on, so thank you very much for your rigour and for being with us today.

With that, I will just gently remind you that if you don't have your witnesses in to the clerk with respect to the next study, please make sure that you do so or else we'll be having shorter meetings.

With that, I call this meeting adjourned. Thank you very much.

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