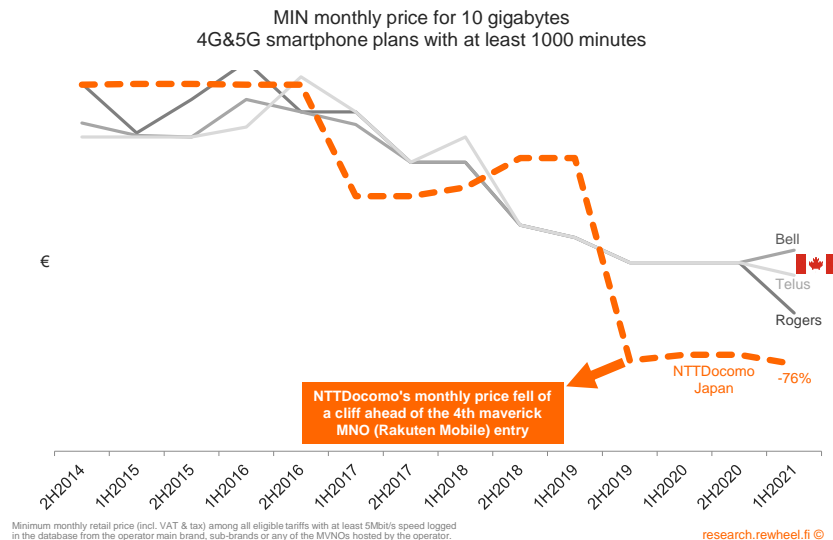


Canada needs a new maverick mobile network operator

Canada has among the highest wireless prices in the world. The merger of Rogers and Shaw, if approved as notified, will be the final nail in the coffin of infrastructure-based competition in Canada. The only effective remedy for the merger is the upfront creation of a new maverick mobile network operator.

Rewheel research PRO study, April 2021



Canadian wireless prices are among the highest in the world. That is the finding of every single independent study. The Canadian telcos, their lobbyists and their academic proxies have been claiming that all those studies are flawed. Who is right? The telcos and their conflicted agents or the Innovation, Science and Economic Development Canada (ISED), the US Federal Communications Commission (FCC), the Organization for Economic Co-operation and Development (OECD) and the independent research firms that carried out those studies?

Rewheel's latest study¹ once again showed that Canadian wireless monthly prices are – if not the highest – among the highest in the world. During March 2021 consumers in Canada paid 7x more every month than consumers in France for 20 gigabytes.

Why are Canadian wireless prices so expensive? Is it, as the telco executives and their lobbyists will have you believe, due to Canada's very low population density or superior network quality? No. Their claims have no factual merits. According to the Canadian Competition Bureau² network quality and population density cannot explain the price differences.

The Competition Bureau is right. There is no link between area, population density or average mobile network speeds and wireless prices as Rewheel showed in a 2020 study³. In fact, as we showed, in another study⁴ – using the ISED physical radio transmitter locations database – Canadian operators have among the fewest mobile network sites in the world relative to the country's land area and population.

The Competition Bureau concluded in 2019 that prices were 30% to 40% lower in provinces where Rogers, Bell and Telus faced a fourth independent mobile network operator such as Freedom Mobile or Videotron. The Competition Bureau was right again. As we have repeatedly shown in our studies monthly and gigabyte prices are significantly lower in markets where at least four independent mobile network operators are present and as well in markets where a disruptive maverick mobile network operator group such as Iliad or Jio is present. Ofcom, the UK telecom regulator reached the same conclusion in a 2016 cross-country econometric study⁵.

The root cause of the very high prices, as we shown in our 2019 study⁶, is the fact that the Canadian wireless market is a de-facto network duopoly. There are only two independent mobile networks in Canada with national coverage. One is operated by Rogers and the other one is a joint network operated by Bell and Telus. The merger of Rogers and Shaw, if approved as notified, will be *the final nail in the coffin* of infrastructure-based competition in Canada.

Our analysis of historic mobile prices shows that oligopolists react only when their hand is forced by a disruptive new entrant. Back in 2014, Japanese, US, German, Swiss, Australian and Irish incumbent operators charged as high or even higher prices for 10 gigabytes than Rogers, Bell and Telus. But after facing market disruption from the likes of Rakuten and Iliad NTT Docomo, Verizon, Swisscom, Deutsche Telekom, Telstra and Vodafone dropped prices by ~80%. In March 2021 Rogers, Bell and Telus charged ~3 times higher monthly prices for 10 gigabytes than incumbent operators that faced disruptive market entrants.

Absent of effective remedies, the merger between Rogers and Shaw will most likely lead to higher prices and consumer harm. Remedies must remove entirely both the short- and long-term competition concerns. Will MVNO wholesale access obligations alone remedy the serious competition concerns? No, they will not⁷. Mandated MVNOs might partially hold back post-merger monthly price increases in the short-term but no MVNO could disrupt the duopoly by launching genuinely competitive plans with 100 or unlimited gigabytes for 30 dollars per month. In France consumers buy 100 gigabytes for 15 dollars per month.

¹http://research.rewheel.fi/downloads/Canada_most_expensive_wireless_market_world_PUBLIC_VERSION.pdf

²<https://services.crtc.gc.ca/pub/ListeInterventionList/Documents.aspx?ID=278712&en=2019-57&dt=i&S=C&PA=t&PT=nc&PST=a&lang=e>

³http://research.rewheel.fi/downloads/4G_5G_prices_2x_to_4x_lower_in_markets_with_4_MNOs_PUBLIC_VERSION.pdf

⁴http://research.rewheel.fi/downloads/Capacity_utilization_2019_potential_169_operators_48_countries_PUBLIC_VERSION.pdf

⁵https://www.ofcom.org.uk/_data/assets/pdf_file/0019/74107/research_document.pdf

⁶http://research.rewheel.fi/downloads/Root_cause_weak_competition_Canada_wireless_market_PUBLIC_VERSION.pdf

⁷http://research.rewheel.fi/downloads/Effectiveness_MVNO_wholesale_access_remedies_25012016_PUBLIC_VERSION.pdf

In order to be effective, remedies must include as a minimum the upfront creation of a new maverick mobile network operator. The creation of a new operator can be realized through the divestment of spectrum and mobile network assets to a domestic or foreign owned interested party, passive site collocation obligations and a time-limited national roaming obligation at competitive data rates. The Canadian Radio-television and Telecommunications Commission (CRTC) could complement the structural remedy by setting aside 5G spectrum for the new entrant and alleviate the short-term competition concerns by mandating MVNO wholesale access obligations at competitive data rates.

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About Rewheel

Mobile data pricing, mobile operator competitiveness rankings, market modelling & analysis, competition analysis (consolidation, 4 to 3 mobile mergers, effective remedies, new market entries), MNO near-zero marginal data cost, MVNO economics, mobile capacity-only play, mobile centric convergence (MCC) pro-competitive strategies and 4th MNO business case.

Founded in 2009 and incorporated in Finland, Rewheel is a privately owned independent telecom research firm and boutique management consultancy. Our clients are mobile network operators, telco groups, MVNO groups, competition authorities, telecom sector regulators, governments, global internet firms, mobile data-centric start-ups, PE and VC investors.

Rewheel has delivered management consultancy work for clients in the United Kingdom, United States, Ireland, Switzerland, Finland, Sweden, Belgium, Greece, Poland, Slovenia, Hungary, Russia, Romania.

The following authorities have acquired access to Rewheel's independent pricing, mobile market competitiveness, 4 to 3 merger analysis and remedy assessment research: The European Commission Directorate for Competition, the United States Department of Justice, the New York, California and many other US State Attorney General Offices, the national competition authorities of Canada, Australia, the Netherlands and Greece, the Ministry of Economic Affairs of the Netherlands, the Ministry of Industry and Trade of Czechia, the Korean Electronics and Telecommunication Research Institute, the sector regulators of the United Kingdom, Germany, France, the Netherlands, Ireland, Finland, Portugal, etc.

Rewheel's mobile data pricing, strategy, competition analysis, merger assessment, network economics, spectrum, profitability and competitiveness focused reports have been cited by OECD Economic Surveys, The Economist, The Financial Times, The New York Times, Reuters, Bloomberg, WSJ and publicly referenced by the UK telecoms regulator Ofcom, BIPT, Vodafone, Telefonica, Tele2, Elisa, DNA, GSMA, VPs of the EU Commission responsible for Competition, MEPs, IEEE, ITU.

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