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Backgrounder

Wireless Services in Canada: Why Canadians Deserve Better

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Overview

This backgrounder provides a consumer context and consumer perspective about the need for more wireless competition in Canada. It is intended to bring the reader up to date on the status of wireless competition and spectrum management in Canada in recent years, and in particular numerous developments since 2012.

This backgrounder explains efforts by the federal government (notably Industry Canada's Spectrum Management and Telecommunications Branch), the CRTC and other authorities to introduce more competition in the Canadian wireless marketplace. It considers the arguments of the wireless industry and in particular the "Big Three" wireless carriers, Bell Mobility, Rogers, and TELUS, as well as academics and financial market participants who defend the "status quo" in Canada: three large wireless providers and a claim that this is the ideal market structure.

We conclude that despite challenges, the effort to introduce more competition, specifically the encouragement of the emergence of a fourth national wireless carrier, is the right policy to lower prices and increase quality of service for Canadian wireless consumers. This policy should be continued.

Highlights

Canadians rely heavily on, and pay heavily for, wireless services

- An increasing number of Canadians rely on smartphones as their primary means of communication (talk, text, email and Internet) and as a substitute for "wired" home service
- Canadians pay some of the highest wireless prices in the world
- Canadian wireless providers rank high in revenues amongst OECD countries, while Canadians rank low in wireless adoption (also referred to as "wireless penetration") compared to customers in other OECD countries

Further measures to promote more competition are necessary

- Starting in 2008, the Government took steps to foster more wireless competition, including a "set-aside" of new spectrum for smaller competitors, and mandatory roaming and tower-sharing rules to allow smaller competitors to establish sustainable businesses
- Despite lower prices from new competitors, sustainable competition has been frustrated by early, persistent challenges with the roaming and tower-sharing frameworks, as well as by the "Big Three" wireless carriers taking defensive actions such as launching discount "flanker" brands; demanding unjustly high roaming rates from new entrants; being uncooperative with tower sharing and reacting with coordinated public campaigns to the threat of potential competitive entry, in particular from foreign wireless operators

Canadians deserve better

- The Government, Industry Canada, the CRTC, and the Competition Bureau have each recognized problems in the Canadian wireless industry, *such as high retail prices, restrictive contractual terms and reluctance to accept restrictions on anti-competitive spectrum acquisition, disposition and deployment*
- The Government's recent proposals for upcoming spectrum releases should be welcomed constructively, not dismissed as unlikely to produce any lasting result
- Suggesting that consumers should be happy with what wireless competitive choices, pricing and level of service they currently have is not a "world class" approach to business

<u>**Canadians rely heavily on, and pay heavily for, wireless services**</u>

An increasing number of Canadians rely on smartphones as their primary means of communication (talk, text, email and Internet) and as a substitute for "wired" home service

The importance of mobile wireless services in meeting Canadian consumers' communications needs has grown substantially over the last several years and continues to do so. As well, for an increasing proportion of Canadian consumers, wireless telecommunications services have supplanted wireline services.

As the CRTC's Executive Director of Telecommunications noted in a recent appearance before the Senate Transport and Communications Committee,

> …smartphones are more popular than ever. An increasing number of Canadians rely on these devices as their primary means to talk, text, surf the Internet, download data and watch videos and television programs. From 2011 to 2012, the number of Canadians who owned a smartphone jumped from 38% to 51%.[1]

[1] CRTC appearance before the Senate Transport and Communications Committee to discuss section 16 of Bill C-31, The Budget Implementation, 7 May 2014.

In successive editions of its annual *Communications Monitoring Report* the CRTC has been reporting that mobile wireless services constitute the largest component of Canadians' spending on telecommunications services. Wireless substitution and wireless-only households have increased significantly in recent years.

Of perhaps even more significance for Canadian consumers, the consumption of wireless data has been growing at an even faster rate than voice traffic. The adoption by Canadians of ever more powerful smartphones and tablets means that Canadians are becoming increasingly reliant on mobile broadband services and on wireless service providers to participate in Canadian society and in the economy.

The importance of wireless to Canadians is reflected in wireless being the largest and the fastest growing individual sector in the Canadian telecommunications industry.[2] The importance of wireless to Canadians is also reflected in the ongoing efforts by the Government and its regulatory bodies to enable more competitive choice for Canadians.

Canadians pay some of the highest wireless prices in the world

Canadians pay higher bills on average than many other wireless customers around the world. Data from the Organisation for Economic Cooperation and Development (OECD) shows that Canada ranks very poorly on a range of pricing measures.[3] While Canadian mobile usage may be high,[4] high usage is no answer to the higher relative rates Canadians pay. This is borne out by the OECD rankings, as well as a report to the CRTC that observed that:

> In the case of the Level 1 mobile wireless service basket, the Canadian average price of $36 is the highest in the group of surveyed countries. Prices in all of the other countries are considerably lower, especially in the case of France, Germany and Italy. It is worth noting that Italy's ranking as the lowest priced country in the group is due to the availability of exceptionally low priced prepaid voice services in that country.
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> In the case of the Level 2 service basket, the Canadian average monthly price of $45 falls above the average for the group of surveyed foreign jurisdictions. The Canadian price falls below the U.S. and Japan, but otherwise above all four surveyed European countries as well as Australia.

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[2] For several years now, the Commission in its annual Communications Monitoring reports has been reporting that wireless services constitute the largest component of Canadians' spending on telecommunications services. See CRTC, *Communications Monitoring Report* (September 2013), online: <http://www.crtc.gc.ca/eng/publications/reports/PolicyMonitoring/2013/cmr2013.pdf> at section 5.5 (CMR 2013). See also, for example, section 5.5 of the *Communications Monitoring Report* (2012); the *Communications Monitoring Report* (2011) and the *Communications Monitoring Report* (2010), all available online at <http://www.crtc.gc.ca/eng/publications4.htm>, in which the Commission reported that "[w]ireless market sector revenues are the largest component ... of total telecommunications revenues."

[3] For a summary of some of the rankings, in tabular format, see Michael Geist, "OECD Report Confirms What Canadians Have Long Suspected: Wireless Pricing Among Highest in the World" (15 July 2013), online: <http://www.michaelgeist.ca/2013/07/oecd-on-wireless-pricing>.

[4] Mobile usage per subscriber consistently ranks in the top 2 among developed countries, since the late 1990s. See: OECD, "OECD Communications Outlook 2013" (11 July 2013), online: <http://dx.doi.org/10.1787/comms_outlook-2013-en> at 90.

> In the case of the Level 3 wireless service basket, the average Canadian monthly rate of roughly $80 again falls on the high-side of the average for the group of surveyed foreign jurisdictions as a whole. In this case, while the Canadian price is well below the prices in the U.S. and Japan, it is still considerably above the prices in the four surveyed European countries as well as Australia.[5]

Canadian service providers earn some of the highest wireless revenues in the world, but rank poorly in wireless adoption

Unsurprisingly given the high rates Canadians must pay for wireless, Canadians have a relatively low rate of wireless adoption, and Canadian service providers earn very high revenues. This has been observed by a number of experts.[6] At least two of the Big Three[7] providers are earning abnormal returns, consistent with their exercise of market power in the absence of competitive disciplines.[8]

Despite the importance of wireless service to Canadians, Canada has always lagged behind the rest of the developed world in mobile adoption. A 2002 OECD report showed that while a number of European countries had mobile adoption rates of over 70%, Canada was at 30.9%. The report attributed this slow growth, in part, to "price performance" stating: "Prices for a residential basket of cellular services in Canada are high and above the OECD average."[9]

Almost a decade later, Canada's wireless penetration rate reached only 79.4%, the lowest in the OECD, and less than half of Finland's rate of over 160%.[10] Despite the low number, Canadian wireless service providers' average revenue per user (ARPU) has been *above* the OECD average, and frequently in the top 5, since 2004.[11] What this means is that fewer Canadians than their OECD counterparts have wireless devices, yet they pay well above their OECD counterparts.

The Canadian wireless market is highly concentrated

Economists and competition regulators often employ market share analyses to help determine the level of competition in a market, with a view to justifying any corrective or enforcement measures to achieve desirable policy goals or legal requirements such as conformity with

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[5] Wall Communications Inc., "Price Comparisons of Wireline, Wireless and Internet Services in Canada and with Foreign Jurisdictions" (31 March 2014), online: <http://www.wallcom.ca/pdfs/price-comp-report_2014update_final_CRTC.pdf> at 23.
[6] See *e.g.*, Michael Geist, *supra* note 3; The Brattle Group, "Canadian Wireless Market Performance and the Potential Effect of an Additional Nationwide Carrier" (Prepared for the Competition Bureau in Telecom Notice of Consultation CRTC 2014-76) (12 May 2014), online: <https://services.crtc.gc.ca/pub/DocWebBroker/OpenDocument.aspx?DMID=2131727> at 8. See also PIAC, "The State of the Wireless Market in Canada: The Case for a Fourth National Carrier" (13 August 2013), online: <http://www.consumer.ca/uploads/pdf/2013_08_22_piac_backgrounder_4th_player_investment_pricing.pdf>.
[7] Bell, Rogers and TELUS which, when combined with their subsidiary wireless companies, collectively control 90% of wireless subscriber market share. See CMR 2013 *supra* note 2 at 161.
[8] The Brattle Group, *supra* note 6.
[9] OECD, "Regulatory Reform in the Telecommunications Industry" (2002), online: <http://www.oecd.org/regreform/1960562.pdf> at 40.
[10] *Supra* note 4 at 100.
[11] *Supra* note 4 at 82.

competition law. One such measure commonly employed is the Hirschman-Herfindahl Index (HHI). Another is the “CR4” four-firm concentration ratio (the combined market share of the four largest firms).

The HHI index has a direct relationship to the existence of market power.[12] The table below demonstrates how the HHI score can be assessed in relation to the level of concentration, and as a corollary, the level of competition in the market.[13]

TABLE II-1: DESCRIBING MARKET STRUCTURES

Department of Justice Merger Guidelines	Type of Market	HHI	Equivalents in Terms of Equal Sized Firms	4-Firm Share CR4
Highly Concentrated	Monopoly[a/]	10,000	1	100
	Duopoly[b/]	5,000	2	100
		2,500	4	100
Moderately Concentrated			5.5	72
	Tight Oligopoly			60
	Loose Oligopoly	1,000	10	40
	Monopolistic Competition			
Unconcentrated	Atomistic Competition	200	50	8

Sources and Notes a = Antitrust practice finds monopoly firms with market share in the 65% to 75% range. Thus, HHIs in “monopoly markets can be as low as 4200; b = Duopolies need not be a perfect 50/50 split. Duopolies with a 60/40 split would have a higher HHI. Sources: U.S. Department of Justice, *Horizontal Merger Guidelines*, revised August 2010, for a discussion of the HHI thresholds; William G. Shepherd, *The Economics of Industrial Organization* (Englewood Cliffs, NJ: Prentice Hall, 1985), for a discussion of four firm concentration ratios.

Under the United Stated Department of Justice Merger Guidelines, a market that is considered moderately concentrated used to be defined as one that exhibited an HHI between 1,000 and 1,800. An HHI above 1,800 was considered a highly concentrated market. Under the recently revised guidelines, the unconcentrated threshold was raised to 1,800, while the highly concentrated threshold was raised to 2,500 - which is the equivalent of four equal-sized firms. A moderately concentrated market would correspond to a tight oligopoly, defined as a market where the top four firms had more than 60% of the market.

[12] Viscusi, w. Kip, John M. Vernon and Joseph E. Harrington, Jr., *Economics of Regulation and Antitrust*, MIT Press: Cambridge,, 3rd Ed, 2001: 147-149, 212-213.
[13] Consumer Federation of America, "The End of the End of Competition for Digital Access Service: The Verizon-Cable Spectrum Sale and Collaborative Agreements Mark the Final Failure of the 1996 Telecommunications Act to Provide Consumers with Effective Competition in Local Markets" (July 2012).

Applying HHI and CR4 to the Canadian Wireless Industry

Using market share data from the CRTC Communications Monitoring Report 2013, the wireless industry in 2012 had an HHI of **2724**. (Note that this HHI would be slightly higher, as HHI includes the sum of the squares of the market shares of the 50 largest firms, but this calculation only includes the 3 largest). This suggests a highly concentrated threshold and a tight oligopoly.

The Canadian wireless retail market thus has extremely high HHI scores, both nationwide and in particular in some regional markets despite regional competitors, as demonstrated below:[14]

Region	Subscriber Market Share (%)			HHI
	Bell Group	TCC	Rogers	
British Columbia	18	40	39	**3445**
Alberta	23	50	24	**3605**
Saskatchewan	10	10	9	**281**
Manitoba	5	9	33	**1195**
Ontario	28	20	44	**3120**
Quebec	33	28	29	**2714**
New Brunswick	58	23	19	**4254**
Nova Scotia	54	29	16	**4013**
Prince Edward Island	58	27	15	**4318**
Canada	28	28	34	**2724**

Table 1. HHI in the Canadian Retail Wireless Marketplace by Province

The other standard measure of market concentration, the four-firm concentration ratio (CR4), is at about 90 or higher in all Canadian markets, meaning the four largest competitors have 90%+ market share (a result of high market shares for the Big Three and, in certain provinces, a wireless subsidiary of the local incumbent wireline telephone provider). Therefore, on traditional structural measures of market concentration, the Canadian wireless market is highly concentrated and therefore very possibly not competitive, or at least not competitive enough to satisfy policy goals of dynamic competition that should produce lower consumer prices.

Further measures to promote more competition are necessary

In light of this market concentration, the high prices Canadians pay for wireless, and their relatively low adoption rates, further measures are very likely necessary to promote more competition.

[14] CMR 2013, *supra* note 2 at 162.

The Government has taken a number of steps to foster more wireless competition

Since 2008 the Government and its communications regulators have taken a number of steps to enable more wireless competition, including:

- A “set-aside” of “AWS-1” spectrum for smaller competitors to launch their businesses (2008)
- Rules requiring the Big Three wireless carriers to provide roaming (in and out of territory), and access to their antenna towers and antenna sites so the competitors could develop their businesses (2008)
- A policy designed to prevent major wireless service providers from acquiring spectrum meant to be put to competitive use (2013)
- A mandatory Wireless Code of conduct for wireless service providers to protect consumers against abusive and lengthy contracts, which included a time-limit on wireless contracts and clear rules limiting the penalties customers pay for early termination (2013)
- A “cap” (limit) on the amount of spectrum the major wireless service providers could buy in the most recent spectrum auction (2014)
- A proposed set-aside in the upcoming “AWS-3” spectrum auction (2015)
- A cap on the amount of spectrum the major wireless service providers can buy in the planned 2,500 MHz auction (2015)

The experience from the 2008 AWS-1 auction, with its set-aside for new competitors and mandatory roaming and tower-sharing, showed promise. Prices by new entrants for a comparable package from the Big Three were generally lower, and to this day generally remain lower, as evidenced in a report prepared for the CRTC.[15]

> for the Level 1 mobile wireless service basket, the mobile wireless prices offered by new entrants are between 8% and 39% lower than those of the incumbents and, on average, 28% lower for the three cities combined. The relative price discounts available from the new entrants are not as great in the case of the Level 2 service basket, where new entrants' prices are between 1% to 16% lower by city, and 10% lower on average. The differences are greater however in the case of the Level 3 service basket, where the price discounts offered by new entrants relative to the incumbents' services are 26% to 54% lower by city, and 44% lower on average. Similar results are found in the case of the new Level 4 service basket, where the new entrants' prices are 49% lower than the incumbents' on average.[16]

Despite the positive effect that smaller competitors have had on wireless prices, they have struggled to stay afloat.

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[15] Wall Communications Inc., *supra* note 5 at 18-19**.**

[16] *Ibid*.

Despite lower prices from new competitors, sustainable competition has been frustrated by challenges with the roaming and tower-sharing frameworks, as well as by Big Three defensive tactics

Virtually all of the competitors that have emerged as a result of the attempts to introduce more wireless competition have either been absorbed by one of the Big Three or have otherwise been (or are being) driven out of the marketplace. That fate, ironically, is often used by the Big Three as proof that the policy has failed or is unworkable.

On the contrary, the pricing experience in recent years suggests that new, smaller competitors were hitting their mark, and having the intended effect. Their long-term viability, however, faced pressure to do problems with the mandatory roaming and tower-sharing frameworks implemented to help the new competitors establish sustainable businesses. This is well-established on the public record of Industry Canada's consultation on roaming and tower-sharing, and the CRTC's several recent consultations on roaming and wholesale wireless issues, where problems with lengthy delays in accessing roaming and towers, as well as commercially unreasonable rates, have come to light.

In the analysis of the Competition Bureau, there is "strong evidence" that Canada's major wireless service providers may not be fairly providing mandated access to roaming and towers. As well, the CRTC recently found Rogers was unfairly charging smaller competitors significantly higher rates for mandated roaming than they were charging US-based mobile carriers or other domestic carriers for their roaming. Other systemic issues in the wireless market are currently being examined by the CRTC.[17]

Competitors have underscored to the CRTC (and previously to Industry Canada) that their success depends, in part, on access to wholesale services from the Big Three at reasonable terms and under reasonable conditions. As long as wholesale arrangements between the Big Three and smaller competitors fail to meet the needs of those competitors, it is questionable if government policies designed to promote a more competitive retail marketplace are going to succeed.

Steps taken by the Government and the CRTC to rectify the problems faced by smaller competitors in accessing fair roaming arrangements are promising, and that the Government is continuing to recognize that smaller competitors need more access to spectrum if they can sustainably continue with their pricing pressure on the Big Three shows further promise for the future of the wireless market.

The struggles of the smaller competitors are a result of the Big Three holding them back, not, as the Big Three and their experts argue, because more competition is theoretically and practically unworkable.

[17] For example, the CRTC's review of wholesale mobile wireless services. See: CRTC, "Telecom Notice of Consultation CRTC 2014-76" (20 February 2014), online: <http://crtc.gc.ca/eng/archive/2014/2014-76.htm>.

Canadian deserve better

Despite the measures taken since 2008 to promote more wireless competition, the Big Three continue to dominate the market and stand poised to extinguish the last remaining competitive impulses that were able to withstand the delays and unfair roaming rates imposed on them.

As noted, Canadians continue to pay some of the highest rates for service in the developed world and Canada has the lowest wireless penetration rate in the OECD. In response, the Big Three suggest that Canadian consumers are faring well, and that there is vigorous competition between them. This despite the high concentration of the retail wireless market in Canada both nationwide and regionally and despite the Competition Bureau's view that the Big Three not only have market power suggestive of an oligopoly *(i.e.*, not a competitive market) and the incentive to use this market power both now and into the future.

The Big Three have also resisted attempts at consumer-oriented regulatory reform in the industry. While the Big Three have largely complied with the CRTC's Wireless Code,[18] the initial response was to raise prices and blame it on the Code,[19] appeal the Wireless Code's implementation date,[20] and launch non-refundable "device deposit programs" which encourage contract renewal and have the effect of circumventing the Wireless Code's rules on early cancellation fees.[21] Rather than provide consumers with more affordable service, the Big Three have raised prices and probed loopholes in the consumer-friendly Wireless Code.

The Government, the CRTC, Industry Canada and the Competition Bureau have each recognized problems in the Canadian wireless industry, and recognized that Canadians deserve better

The Government and the regulatory agencies that oversee telecommunications have each recognized problems in the Canadian wireless industry, and recognized that Canadians deserve better. The government has made several such statements, including two Speeches from the Throne[22] and going back as far as 2007.[23] The government's long-awaited digital economy strategy, "Digital Canada 150", references the high prices of the Canadian wireless industry, and therefore includes a commitment to improving prices and protecting wireless consumers.[24]

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[18] CRTC, "The Wireless Code," online: <http://www.crtc.gc.ca/eng/info_sht/t14.htm>.
[19] Jamie Sturgeon, "New wireless contracts come with higher monthly bill" (17 July 2013), online: <http://globalnews.ca/news/723344/wireless-bills-on-the-rise-and-carrier-profits-may-follow-experts-say>.
[20] Christine Dobby, "Canada's telecom giants seek clarity on CRTC's new wireless code" (3 July 2013), online: <http://business.financialpost.com/2013/07/03/canadas-telecom-giants-set-to-challenge-parts-of-crtcs-new-wireless-code >.
[21] PIAC has filed a complaint with the CRTC regarding these programs. The proceeding is ongoing, see CRTC file number: 8620-P8-201405606 available online: <https://services.crtc.gc.ca/pub/instances-proceedings/Default-Defaut.aspx?S=C&PA=T&PT=PT1&PST=A&Lang=eng>.
[22] 2013 Speech from the Throne, online: <http://www.speech.gc.ca/eng/full-speech> and 2010 Speech from the Throne, online: <http://www.parl.gc.ca/Parlinfo/Documents/ThroneSpeech/40-3-e.html>.
[23] Minister of Industry, News Release, "Government Opts for More Competition in the Wireless Sector" (28 November 2007), online: <http://news.gc.ca/web/article-en.do?nid=364519>.
[24] Minister of Industry, "Digital Canada 150" (2014), online: <http://www.ic.gc.ca/eic/site/028.nsf/vwapj/DC150-EN.pdf/$FILE/DC150-EN.pdf>.

The CRTC has noted in their decision to develop the Wireless Code and in decisions related to the wholesale wireless market, that regulation is required to prevent the unfair practices by the incumbents affecting consumers and new wireless entrants. [25]

Industry Canada, in the policy framework for its 2008 AWS-1 spectrum auction clearly stated that the purpose of the spectrum set-aside was to increase competition in the otherwise stagnant Canadian wireless market.[26]

The Competition Bureau, in submissions to CRTC proceedings to establish a wholesale roaming rate, stated that the incumbents have market power in both the wholesale wireless market and the retail wireless market, which prevent the new entrants from becoming fully effective competitors.[27] The expert reports commissioned by the Competition Bureau stated the incentives for the incumbents to prevent competition in both markets meant increased costs for consumers.[28]

The Government's recent proposals for upcoming spectrum releases should be welcomed constructively, not dismissed outright as impossible

The Government's view is that a fourth national wireless player could provide the necessary competitive impulse to discipline the Big Three wireless carriers and inspire more competitive alternatives and service differentiation.[29] In a submission to the CRTC for the Competition Bureau, the Brattle Group estimated that consumers would see savings of $1 billion *per year* from a fourth national player.[30] The experience of other jurisdictions with four national players

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[25] See: Telecom Decision CRTC 2012-556 (11 October 2012), online: <http://www.crtc.gc.ca/eng/archive/2012/2012-556.htm> and Telecom Decision CRTC 2014-398 (31 July 2014), online: <http://www.crtc.gc.ca/eng/archive/2014/2014-398.htm>.

[26] Industry Canada, "Policy Framework for the Auction for Spectrum Licences for Advanced Wireless Services and other Spectrum in the 2 GHz Range" (November 2007), online: <https://www.ic.gc.ca/eic/site/smt-gst.nsf/vwapj/awspolicy-e.pdf/$file/awspolicy-e.pdf> at 2-4.

[27] Competition Bureau, "Submission by the Commissioner of Competition Before the Canadian Radio-television and Telecommunications Commission — Telecom Notice of Consultation CRTC 2013-685" (29 January 2014), online: <http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/03648.html> at para 3,6; Competition Bureau, "Reply of the Commissioner of Competition Before the Canadian Radio-television and Telecommunications Commission" (10 February 2014), online: <http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/03661.html> at para 3; Competition Bureau, "Submission by the Commissioner of Competition Before the Canadian Radio-television and Telecommunications Commission — Telecom Notice of Consultation CRTC 2014-76" (15 May 2014), online: <http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/03725.html> at paras 15-20; and Competition Bureau, "Submission by the Commissioner of Competition Before the Canadian Radio-television and Telecommunications Commission — Telecom Notice of Consultation CRTC 2014-76" (20 August 2014), online: <http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/03786.html> at paras 8-14.

[28] The Brattle Group, *supra* note 6 at 54-55; and The Brattle Group, "Vertical Foreclosure in Canadian Wholesale Services Markets" (18 August 2014) at 21.

[29] Minister of Industry, News Release, "Harper Government Protecting Consumers and Increasing Competition in Canadian Wireless Sector" (4 June 2013), online: <http://news.gc.ca/web/article-en.do?nid=746949>.

[30] Brattle Group, "Canadian Wireless Market Performance and the Potential Effect of an Additional Nationwide Carrier" (12 May 2014), online: <https://services.crtc.gc.ca/pub/DocWebBroker/OpenDocument.aspx?DMID=2131727> at 35

also suggests that such a structure may be beneficial to consumers.[31] The Government has therefore introduced another "set-aside" for the upcoming AWS-3 spectrum auction, designed with such conditions of eligibility so that only operating small competitors can acquire the spectrum. These are proposals that continue to be worth exploring.

If the experience of the most recent spectrum auction (the 700 MHz auction in early 2014) is instructive, then it is likely that the Big Three and their affiliated academics and experts will mount another public relations and government relations campaign to dismiss the Government's proposal as both unnecessary and unworkable.

In late 2013, the possible entry of US wireless giant Verizon into the Canadian market provoked an unprecedented public and government relations campaign by the Big Three against measures to promote more competition, and it seems, to create an uncertain investment climate for Verizon. As *The Globe and Mail* reported:

> The fact that the company [Verizon] made offers for two Canadian carriers, which together have 900,000 subscribers, highlights the serious competitive threat that Rogers Communications Inc., BCE Inc. and Telus Corp. narrowly avoided after the U.S. carrier backed away from Canada to focus on a much larger deal to take 100-per-cent ownership of its U.S. wireless unit.[32]

The defensive reasoning, that the measures are unnecessary, goes against the evidence on record, and against the common customer experience. The arguments that a "set-aside" is a waste of taxpayer money, or that a fourth national carrier is unworkable, are also illusory, as PIAC has argued elsewhere.[33]

Suggesting that unhappy consumers should be happy with what they have is not a "world class" approach to business

In response to the ongoing Government and regulatory pressures to provide better service and lower prices, the incumbent responses tends to be characterized by denial of a problem in the first place, often accompanied by expert reports commissioned by them.

These businesses can and should do better. Certainly, there can be problems with comparing and ranking countries, and certainly, Canada has unique social and geographical considerations. But equally certain is the belief that the Canadian wireless industry, as a whole, can and ought to do better in terms of providing better services to more people and at lower

[31] Lemay-Yates Associates Inc., "Report: Implications of reserving spectrum for entrants" (27 June 2007), online: <https://www.ic.gc.ca/eic/site/smt-gst.nsf/vwapj/dgtp-002-07-rep-MTS-Allstream_Appendix-B_LYA.pdf/$FILE/dgtp-002-07-rep-MTS-Allstream_Appendix-B_LYA.pdf>.
[32] Rita Trichur and Boyd Erman, "Verizon's interest in Canadian market deeper than admitted" (20 September 2013), online: The Globe and Mail <http://www.theglobeandmail.com/report-on-business/verizons-canadian-dalliance-deeper-than-admitted/article14427259>.
[33] PIAC, "The State of the Wireless Market in Canada: The Case for a Fourth National Carrier" (22 August 2013), online <http://www.piac.ca/files/piac_backgrounder_4th_player_investment_pricing.pdf>; PIAC, " The 'AWS-3' Spectrum Auction – What is the Best Deal for Consumers?" (9 July 2013), online: <http://www.piac.ca/telecom/piac_releases_backgrounder_on_aws_3_auction_costs_and_benefits_for_consumers>.

prices. The comments posted in response to media reporting of wireless policy issues suggests Canadians are, generally, woefully unhappy with their current level of service. Nevertheless, it has also been suggested that Canadians would be willing to pay more for their wireless services. The possibility of that only shows how important wireless service has become to everyday life, much like Canadians depend on public transit, fuel for their vehicles, and groceries for their families. Most Canadians will pay more for each of these items, if they have to; not because there is untapped value on the table. The Big Three do a disservice to Canadians to suggest that more competition cannot be achieved, and that what Canadians currently receive is as good as it gets.

Canadians deserve better.