



**Written Submission  
of  
TekSavvy Solutions Inc. (“TekSavvy”)  
for the  
Pre-Budget Consultations  
in Advance of the 2021 Federal Budget**

**August 2020**



## **TekSavvy's Recommendations**

**Recommendation 1:** We recommend that the Government of Canada reinforce Speed Matching for competitive services and expedite the implementation of competition on Fibre-to-the-Premises (FTTP) services.

**Recommendation 2:** We recommend that the Government of Canada ensure the adoption and proper implementation of the CRTC final wholesale rates to encourage competition and affordability.

**Recommendation 3:** We recommend that the Government of Canada commit to providing Mandated Wholesale Access by Mobile Virtual Network Operators (MVNOs) in order to increase choice and innovation and to decrease wireless bills.

**Recommendation 4:** We recommend that the Government of Canada review the Universal Broadband Fund investments to ensure that the funds be allocated sooner in order to provide accessible Internet services for all Canadians.

## Introduction

We all know the devastating effects that covid19 has had on millions of people in Canada who have lost their jobs and have been forced to cut into their savings or take on debt. Canada's unemployment rate has jumped to 13%, coming to a loss of almost 2 million jobs in April.<sup>1</sup> People throughout Canada are struggling to pay their rent, let alone soaring wireless and Internet bills. Meanwhile, in our increasingly digital economy, we must increasingly rely on telecommunication services for work, school, and finances.

Soaring Internet and wireless costs impose negative impacts on families across the country. In fact, internationally Canada is ranked as 209 out of 228 countries and territories surveyed for the lowest average cost of one gigabyte of data.<sup>2</sup>

Unfortunately, large incumbent Canadian telecommunication companies have not truly stepped up to help consumers during this trying time. These companies have not yet reduced their mobile prices by 25% in accordance with the federal government plans. Even though their subscribers are using little to no data due to the reality of living and working at home, it is still not enough for the big incumbent telecoms.<sup>3</sup> Not only are they overcharging their customers, but their full services are inaccessible to over half of people living in rural Canadian communities, creating an unfair playing field in Canada's digital economy.<sup>4</sup>

TekSavvy Solutions Inc. ("TekSavvy") understands the importance of affordable and accessible Internet and wireless service for all Canadians, especially now. This is why in order to create a more balanced and competitive playing field for our Canadian market, TekSavvy is proposing the following recommendations.

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<sup>1</sup> <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410028701>

<sup>2</sup> <https://calgaryherald.com/news/national/whos-getting-better-cell-phone-data-prices-than-canada-almost-everyone>

<sup>3</sup> <https://www.canada.ca/en/innovation-science-economic-development/news/2020/07/government-of-canada-tracks-progress-on-reducing-prices-of-wireless-services.html>

<sup>4</sup> <https://www.cbc.ca/news/politics/broadband-Internet-covid-1.5552261>

**Reinforce Speed Matching by Opening Competition on FTTP**

Competition is the most effective way to bring down prices of telecommunication services, including wireline and mobile plans. In regions with strong competition, wireless data plans are up to 32% cheaper than the national average.<sup>5</sup>

With respect to wireline broadband services, the Canadian Radio-television and Telecommunications Commission (CRTC) has for over a decade required the large carriers to sell competitors like TekSavvy equally fast Internet speeds as the large carriers. The enforcement of this policy, the *Speed Matching Requirement*, allowed for wireline Internet competition and more affordable options for high speed Internet services across Canada.

In 2015, however, the CRTC dramatically undermined the Speed Matching Requirement by relegating competition for Fibre-to-the-Premises (FTTP) to an entirely new framework, the “disaggregated” model of interconnection. Without a clear path to designing, costing, and deploying competitive services on the new “disaggregated” model, incumbents have now had over five years of monopoly control of the market for FTTP services and the speeds that are available on that technology.

Despite the role of the Speed Matching Requirement as a tentpole for broadband competition in Canada, the CRTC’s 2015 “disaggregated” decision—as well as subsequent proceedings which have still not reached a final decision—served not only to entirely move FTTP services to another tent where competition does not exist, but it also served to dismantle the Speed Matching Requirement altogether, weakening competition on services where it was formerly well-established and robust.

In short, TekSavvy and other competitors remain shut out of rapidly growing retail markets for FTTP services with no resolution in sight, and incumbents have been emboldened to refuse to respect the Speed Matching Requirement for higher speeds on existing technologies and services. These existing restrictions have caused irreparable harm to competitors across the country leading to less competition and higher prices for consumers in Canada.

In order to protect competition and smaller Internet service providers and consumer choice, TekSavvy is proposing the following recommendation:

***Recommendation One: We recommend that the Government of Canada reinforce the Speed Matching for competitive services and expedite the implementation of competition on FTTP services.***

<sup>5</sup>

<https://www.canada.ca/en/innovation-science-economic-development/news/2019/02/government-of-canada-proposes-new-crtc-direction-to-put-canadians-at-the-forefront-of-future-decisions.html>

## Supporting Competition and Affordability Through Wholesale Rates

The CRTC sets the rates that the dominant incumbent telecoms charge competitors like TekSavvy for certain broadband network services that are required to serve customers. For years, large carriers such as Bell Canada, Rogers Communications, and TELUS have abused the CRTC rate-setting processes, inflated their wholesale rates and overbilled competitors hundreds of millions of dollars.

In some cases, these companies inflated their wholesale rates by over 1300%. In fact, the large carriers together overcharged competitors more than \$350 million that would have otherwise been passed on as savings to consumers or invested in new infrastructure. Moreover, stronger competition would have driven down prices for all telecom services, not just those offered by competitors. These unfair rates have nearly driven smaller providers out of business, while entrenching the dominance of incumbents and keeping retail prices unnecessarily high for consumers.

In 2016, the CRTC found that the rates proposed by certain large companies were unjust and unreasonable and called the actions of these dominant incumbents “very disturbing”. To correct the most egregious rates, the CRTC set revised interim capacity rates that the large telecoms charge competitors.<sup>6</sup> In response, TekSavvy lowered retail rates for their current customers. Over 85% of TekSavvy’s customers benefitted from reduced prices or upgraded, unlimited data plans on their monthly bills.<sup>7</sup>

Completing their review in August, 2019, the CRTC finally set final wholesale rates that were significantly lower than the earlier interim rates. Those adjusted rates were also retroactive to early 2016, meaning they determined competitors should be reimbursed for the inflated rates they had been paying over the previous years. The new monthly capacity rates are 15% to 43% lower than the interim rates and the access rates are 3% to 77% lower than the interim rates.<sup>8</sup>

However, those new rates and retroactive adjustments have not gone into effect. These dominant incumbent telecoms instead asked the courts and the government to overrule the CRTC decision and, in the meantime, got a stay of the new rates.

Without an established system to set realistic rates that both enable competition and allow competitors and incumbents alike to invest in broadband facilities, the carriers are able to inflate wholesale rates, harming consumers who are looking for more affordable Internet options. During the social and economic unrest of the covid19 pandemic as well as during the coming period of recovery, Canadians need affordable Internet service options. In order to ensure the availability of affordable Internet service to households across Canada, TekSavvy is proposing the following recommendation:

***Recommendation Two: We recommend that the Government of Canada ensure the adoption and proper implementation of the CRTC final wholesale rates to encourage competition and affordability.***

<sup>6</sup> <https://www.canada.ca/en/radio-television-telecommunications/news/2016/10/crtc-finds-proposed-wholesale-high-speed-access-rates-unreasonable.html>

<sup>7</sup> <https://mobilesyrup.com/2019/09/13/teksavvy-customers-receive-bill-discounts-upgrades/>

<sup>8</sup> <https://www.canada.ca/en/radio-television-telecommunications/news/2019/08/crtc-promotes-competition-for-broadband-Internet-services-by-setting-lower-wholesale-rates.html>

### Lower Wireless Prices and More Competitive Options

In 2019, the Liberal government committed to a 25% reduction in wireless prices. Unfortunately, this commitment to consumers is only possible with government intervention, as the big telecoms are unwilling on their own to enable wholesale access by mobile virtual network operators (MVNOs) to launch service and become competitors.<sup>9</sup>

Negotiated MVNOs have been successful in jurisdictions around the world. In Australia, MVNOs are a major part of the mobile service market. In fact, MVNOs in Australia are known for driving innovation in the telecommunication sector. In the United States, MVNOs deliver benefits to consumers through pricing structures and service features that are attractive to consumers who have been neglected by the major mobile network operators (MNOs.) MVNOs also rate higher than MNOs for customer service and quality of service.

In contrast, it is clear that in the Canadian context the CRTC must mandate wholesale access to relieve the mobile wireless marketplace from the dominant market power of the large wireless providers. This would be consistent with this government's 2019 Policy Direction, as the mandated MVNO regime would enable innovation in telecommunication service offerings, and stimulate investment in research and development in other tangible and intangible assets that support the offer and provision of telecommunication services. If an MVNO framework is implemented, TekSavvy's goal is to bring its consumer-focused approach to the mobile industry as well.

Twisting the arms of dominant telecoms until they lower their prices by 25% is a band-aid solution to a systemic problem. Addressing the well-known problems with wireless pricing in Canada instead requires bold, systemic change. Not only would an MVNO model achieve the CRTC's goals of increasing competition, as well as being aligned with the 2019 Policy Direction, but it would also have the benefit of advancing broader objectives of encouraging competition in related markets for other communication services. In order to ensure that everyone in Canada has access to affordable telecommunication services that they need, as the Canadian government has promised, TekSavvy is proposing the following recommendation:

***Recommendation Three: We recommend that the Government of Canada commit to providing Mandated Wholesale Access by Mobile Virtual Network Operators (MVNOs) in order to increase choice and innovation and to decrease wireless bills.***

<sup>9</sup>

<https://financialpost.com/telecom/ottawas-promised-25-per-cent-wireless-rate-cut-must-be-on-top-of-recent-price-drops-bains>

**Providing Dependable and Accessible Telecommunication Services to all Canadians**

The covid19 pandemic has only further underlined the fact that high-speed Internet is not a luxury. With Canadians working and learning from home, those in rural areas are at a disadvantage, with only 40.8 per cent having access to high-speed broadband.<sup>10</sup> This creates an unfair playing field to participate in Canada's increasingly digital economy.

We appreciate the government's efforts in the development of the Universal Broadband Fund, other wise known as "*High-Speed Access for All: Canada's Connectivity Strategy*". The goal of the Universal Broadband Fund is to allow access to broadband at speeds of at least 50Mbps, and to ensure mobile wireless coverage is available wherever people live.<sup>11</sup>

However, the rollout of the Universal Broadband Fund programme is taking too long. While there are no doubt large projects that require extensive review and years to fund and implement, there are also many small shovel-ready projects that, if funded, would yield immediate benefit to communities and residents. The billions of dollars currently slated to be invested in this program need to be allocated sooner in order to help Canada's economic recovery. Earlier, nimble investment will allow Internet service providers to partner with governments to continue expanding broadband services, allowing more people to connect and participate in the digital economy. In the short term, it will create immediate construction employment and activity. In the long term, it will drive economic growth through broader availability of high-speed Internet services.

In order to secure affordable and accessible Internet and wireless services to all Canadians, TekSavvy is proposing the following recommendation:

***Recommendation Four: We recommend that the Government of Canada review the Universal Broadband Fund investments to be allocated sooner in order to provide accessible Internet services to all Canadians.***

**About TekSavvy**

TekSavvy is Canada's largest independent telecom service provider with over 300,000 customers from coast to coast, delivering reliable services to customers across Canada for over 20 years. TekSavvy provides customers with an affordable alternative to dominant incumbent telecoms by offering Internet, phone, and television services at fair rates. TekSavvy's goal is to give Canadians a better choice, and we are committed to fighting for and upholding consumers' rights online.

<sup>10</sup> <https://www.cbc.ca/news/politics/broadband-Internet-covid-1.5552261>

<sup>11</sup> [https://www.ic.gc.ca/eic/site/139.nsf/eng/h\\_00001.html](https://www.ic.gc.ca/eic/site/139.nsf/eng/h_00001.html)