April 13, 2021

Mr. Michael MacPherson
Committee Clerk
Standing Committee on Industry, Science and Technology
197 Sparks St., Wellington Building, Room 315
Ottawa, Ontario K1A 0A6

Dear Mr. MacPherson,

Re: Review of Rogers Communications Inc.'s proposed acquisition of Shaw Communications Inc. - Rogers' Comments

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1. In response to the Standing Committee on Industry, Science and Technology's ("the Committee") review of the proposed acquisition of Shaw Communications Inc. ("Shaw") by Rogers Communications Inc. ("Rogers"), Rogers is pleased to provide the following comments regarding how the proposed acquisition will drive innovation and competition while delivering affordable telecommunications services to urban, rural, and Indigenous communities across the country.

Introduction

2. The telecommunications industry is vital to the Canadian economy. The remarkable performance of Canada's networks has enabled the orderly and rapid transition to the work from home reality that has characterized the pandemic for most Canadians. As Canada emerges from pandemic measures, strong networks will be vital to Canada's recovery and growth. Prior to the pandemic it is estimated that Canada's facilities-based network operators directly contributed $74.5B in GDP to Canada's economy and supported 638,000 jobs.[1]

3. The next challenge and indeed opportunity for Canada will be the evolution of Canada's wireless networks to 5G technology. 5G is unlike any prior evolution of wireless technology and will require concerted effort and resources to unlock its full potential for Canada and Canadians. It is estimated that by 2026, the GDP impact of introducing 5G to Canada will be an additional $40B per year. It is also estimated that the adoption of 5G will create approximately 250,000 additional permanent full-time equivalent jobs for Canada's economy by 2026, as well as an additional 150,000 jobs in construction and engineering when Canada's 5G networks are built between 2020 and 2026.[2]

4. The merger of Rogers and Shaw will bring together two Canadian family companies that are committed to Canada and this country's success. Both organizations are rooted in the

[1] https://www.cwta.ca/wp-content/uploads/2020/12/EN_Investing_in_Canadas_Digital_Infrastructure.pdf
[2] https://www.5gcc.ca/wp-content/uploads/2018/06/CWTA-Accenture-Whitepaper-5G-Economic-Impact_Updates_WEB_06-19-2018.pdf

same values: providing Canadians with leading edge communications services at affordable prices and investing in critical infrastructure to ensure a strong Canada. Over the last several decades, their entrepreneurialism has provided Canadians across the country with true alternatives to the incumbent telephone companies. Today, by combining their resources, from their advanced networks to their talented teams, the new company will become even more competitive, and better able to meet the challenge of delivering the next generation of technology at affordable prices to Canadians no matter where they live.

5. The primary motivation behind the merger is to develop the scale necessary to make 5G a reality for all Canadians and close the connectivity gap, which has never been more important. In telecommunications, scale is essential. This is especially so in a country as large, topographically challenging and with a very low population density as is the case in Canada. Mobile and broadband traffic continue to grow exponentially, necessitating constant re-investment in networks that span the second largest landmass in the world. Upgrading these networks to 5G technology will place even greater demands on the necessity for size and scale.

Canada at an Inflection Point

6. The timing of the proposed merger comes when our industry is at an inflection point. Canada has begun deploying wireless 5G technology that will revolutionize how Canadians live and work. From precision agriculture to advanced manufacturing, from healthcare to transportation, 5G will drive innovation, efficiency and increased productivity, improving Canada's competitiveness. Upgrading our digital infrastructure to 5G is critical for us to remain competitive. It will create jobs, diversify our economy, strengthen our innovation sector and fuel Canada's economic prosperity.

7. Canada's competitive future compared to our international peers is at stake and we cannot afford to be left behind. 5G technology will change the world and how we connect, and our country's productivity and innovation future rely on it. Today, several Canadian cities are globally recognized as some of the fastest growing hubs for technology jobs in the world and the market to attract highly skilled talent will only get more competitive – our networks need to keep pace with our ambitions as a country to attract new jobs and investment.

8. While crucial, 5G is also expensive. According to Accenture, the initial rollout of 5G networks is estimated to require approximately $26 billion in capital investment, the vast majority of which will be made by Canada's facilities-based mobile wireless service providers.[3] PwC notes that 5G infrastructure is expected to cost Canadian telecom operators between 39% and 71% more than 4G due to the need for many small cells to be deployed.[4] Now more than ever, these investments will need to be made across the

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[3] https://www.5gcc.ca/wp-content/uploads/2018/06/CWTA-Accenture-Whitepaper-5G-Economic-Impact_Updates_WEB_06-19-2018.pdf

[4] https://www.pwc.com/ca/en/industries/telecommunications.html#:~:text=5G%20infrastructure%20is%20expected%20to,and%20around%20250%2C000%20permanent%20jobs.

country, connecting urban and rural communities alike. That is a huge undertaking in a country like Canada.

9. The upcoming radio spectrum auctions have forced a decision now. Wireless carriers cannot defer 5G investments any longer. With three auctions expected in the next two years, the first of which is scheduled for this June, carriers are facing staggering bills. The U.S. auction for the same 5G bands resulted in record setting prices. Carriers must decide today if and how they will build and operate the next generation of advanced wireless networks and deliver the services Canadians will depend upon to remain internationally competitive.

10. Rogers, and particularly Shaw, have concluded that making such investments on their own will be difficult, if not impossible. However, by combining Rogers' and Shaw's resources, the companies will be able to make these massive investments and deliver transformational technology and investment to Western Canadian consumers, businesses and communities more quickly and efficiently together than either company could do on its own.

Drive Dynamic Competition

11. The merger of Rogers and Shaw will drive competition in Canada, not lessen it. While Rogers recognizes the concerns raised by some about reducing the number of facilities-based carriers from 4 to 3, the combined company will in fact be better positioned to provide competitive offers to customers.

12. To begin with, it will now possess the scale and scope to make the crucial investments in 5G. The key differences in the attributes of 4G and 5G networks can be summarized as follows:

High Level Differences Between 4G and 5G

	4G	**5G**
Potential Download Speed	1 Gbps	Up to 20 Gbps
Base Stations	Cell Towers and Roof Tops	Cell Tower, Roof Tops and Small Cells
Channel Size	Up to 20 MHz Channels + Carrier Aggregation	Up to 100/400 MHz Channels + Carrier Aggregation
Goal for Cell Density	200 to 400 Users Per Cell + Limited M2M	100x 4G + Massive Internet of Things (IOT)
Latency	30-100 ms	1-10 ms

13. Essentially, this table illustrates how large blocks of spectrum are particularly important for the provision of 5G services. This is because large blocks of spectrum are necessary to achieve the high speeds and low latency demanded by many 5G applications. As ISED has stated: "Spectrum is a critical resource for wireless carriers. Additional spectrum for flexible use will enable providers to increase network capacity to meet the traffic demands of higher usage rates, and support the provision of next-generation wireless technologies."[5] Canada is the second largest country in the world and has a very low population density, particularly beyond major urban environments. Building out 5G at all, and particularly in suburban and rural environments, will be challenging for any facilities-based network operator without sufficient scale.

14. Secondly, the 5G revolution means that the past is not necessarily a strong predictor about future wireless competition. Shaw has yet to recoup their capital investment on its wireless business, investing more money than it makes. Going forward, to compete in the 5G environment, Shaw would be required to continue investing substantial amounts in its 5G network evolution, on top of the need to expand its existing network. Absent this transaction, Shaw would invest in and expand its 5G network at a much slower pace and scope than its rivals, and its competitive significance would diminish in the 5G era and beyond. In the telecommunications industry timing and speed to market is important. As 5G evolves beyond the consumer market and into the transformative connectivity that will drive the digital economy going forward, it will be an increasing challenge for Shaw to catch up. Merging Rogers' and Shaw's assets however will ensure a network with a wider footprint and greater capacity to serve advanced devices is delivered to Canadians and Canadian businesses faster than either company could offer on its own.

15. This transaction will increase the dynamic competition with the integrated networks and services offered by Bell and Telus and it can also be observed that the announcement of this transaction has already spurred further investment by Bell, Telus and SaskTel in response to the more robust competitor that will emerge.[6,7,8]

16. Thirdly, it is essential that there be a real competitive wireless alternative to Bell and Telus. For the last 13 years, Bell and Telus have cooperated on building and managing their joint wireless network. By marshalling their shared network equipment and spectrum, they have achieved a level of scale that no single player can hope to match on its own. Together they possess more spectrum and more fibre than either Rogers or Shaw. In fact, even after the proposed transaction closes, Bell and Telus will continue to hold advantages in many parts of Canada. It is essential that Rogers and Shaw match the two incumbent telephone companies. Allowing Rogers to acquire Shaw will ensure a true alternative for Canadian consumers and guarantee a sustainable competitive

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[5] https://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/sf11401.html

[6] Presentation by BCE Inc. (Mirko Bibic) at the Scotiabank 2021 Telecom, Media & Technology Conference (March 30, 2021), online: https://www.bce.ca/investors/events/show/scotiabank-2021-telecom-media-technology-conference.

[7] https://www.newswire.ca/news-releases/telus-announces-c-1-3-billion-equity-offering-838365180.html

[8] https://www.sasktel.com/about-us/news/2020/sasktel-investing-324-million-in-sk-2020-2021'

environment into the future.

17. Many countries around the world are well served by three competitive wireless operators. Independent academic studies – including empirical studies – have confirmed there is no "optimal" number of wireless operators. Instead, those studies have carefully noted how so-called "4-to-3" wireless mergers generate trade-offs that need to be carefully assessed in the context of each individual transaction. These studies have found that such mergers typically result in per operator increases in investment, and some of these studies have concluded that total investment across the entire wireless industry tends to increase as well in a market with three major players. These studies have also acknowledged the significance of efficiencies that result from wireless mergers in countries with large geographies but relatively low population density. The outcome of these studies – that there are trade-offs from mergers that must be carefully evaluated – underlines the importance of Canada's regulators being permitted the time and opportunity to conduct their reviews under their respective legislative frameworks.[9]

18. Other countries have successfully conducted this trade-off analysis in individual mergers. The recent merger of Sprint and T-Mobile in the United States is a case in point. The Federal Communications Commission (FCC) recognized the competitive benefits of the merger, explaining: "By significantly increasing the network quality available from either T-Mobile or Sprint and expanding overall network capacity, this transaction will further drive this critically important competitive dynamic into the new 5G wireless world, strengthening incentives for market participants to innovate."[10]

19. In Canada's case, communications network operators and services are highly regulated. As a result, the public interest will be protected by virtue of the deep oversight of at least three federal regulatory agencies relevant to the industry and indeed who will separately review this transaction. Specifically, this transaction will be reviewed by the Minister of Innovation Science and Economic Development, the Competition Bureau and the Canadian Radio-television and Telecommunications Commission. These regulators will have an opportunity to conduct an analysis of the specific facts at issue in Rogers' and Shaw's proposed merger. In our respectful submission, given Rogers' and Shaw's significant complementarities, the merger of Rogers and Shaw will deliver equal benefits to the Canadian market and consumers.

20. Finally, bringing together Rogers's and Shaw's cable TV and broadband networks will

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[9] See Christos Genakos, Tommaso Valletti, Frank Verboven, *Evaluating Market Consolidation in Mobile Communications*, Centre for Economic Performance Discussion Paper No 1486, June 2017, available online: https://cep.lse.ac.uk/pubs/download/dp1486.pdf; and Eric Fruits, Gus Hurwitz, Geoffrey A. Manne, Julian Morris, Alec Stapp, *A Review of the Empirical Evidence on the Effects of Market Concentration and Mergers in the Wireless Telecommunications Industry*, International Center for Law & Economics Antitrust & Consumer Protection Research Program, White Paper 2019-09-17, available online: https://laweconcenter.org/resource/a-review-of-the-empirical-evidence-on-the-effects-of-market-concentration-and-mergers-in-the-wireless-telecommunications-industry-2/.

[10] Federal Communications Commission. Memorandum Opinion and Order, Declaratory Ruling, and Order of Proposed Modification, Applications of T-Mobile US, Inc., and Sprint Corporation For Consent to Transfer Control of Licenses and Authorizations (FCC 19-103), Adopted October 16, 2019, par. 10 (the "FCC Decision").

not reduce competition in these markets. The two carriers operate in two distinct geographies and their respective networks have virtually no overlap. Rather, by bringing their resources together, they will be better able to make investments across their enlarged footprint and achieve economies of scale in order to better compete with Bell and Telus in the East and West. This intensification of competition will benefit consumers in all the battleground markets.

Affordability

21. Affordability remains a key priority for both companies. The Canadian telecommunications market is competitive and will continue to be so after the merger. Canadian networks are already world leaders, reliably delivering amongst the fastest speeds anywhere, while covering a vast and challenging geography. Pricing is fully in-line with our international peers and continues to decline while broadband and wireless usage continues to grow.

22. To begin with, Canadian wireless and broadband services compare well internationally and as previously mentioned, prices continue to decline despite the cost of building networks across a country the size of Canada. Several studies have recognized the affordability of Canadian pricing. The Economist's Intelligence Unit's Inclusive Internet Index ranks Canada third out of 100 countries in internet affordability.[11] Similarly, global accounting firm PwC recently ranked Canada first in the G7 for affordable wireless services.[12]

23. Telecommunications prices in Canada have been falling for years and will continue to do so. Over the last 5 years (March 2021), the retail price per gigabyte of data across all of Rogers' wireless brands dropped by more than 50%. This was driven by innovative offers that transformed the market such as when Rogers became the first national carrier to introduce unlimited data plans – Rogers now has 2.5 million customers on its unlimited plans, where customers no longer pay any overage fees.

24. Consistent with that trend, Statistics Canada has reported that the cellular service index declined 24% since February 2019 and 15.27% since February 2020 alone.[13]

25. This drop in prices was confirmed in the CRTC's latest Communications Monitoring Report, where it found that the average combined price for communications fell by 6.5% between 2018 and 2019[14]. Fixed broadband with 50 Mbps download and 10 Mbps upload service (referred to as 50/10 service) prices fell 12.2% and wireless broadband 5 GB service prices dropped 4.1% over the same period. Averaged across all of the wireless service baskets tracked by the CRTC, wireless prices fell 13.8% from 2018

[11] https://theinclusiveinternet.eiu.com/explore/countries/performance?category=affordability
[12] Understanding affordability of consumer mobile wireless services in Canada (January 2020) Addendum: Impact of unlimited data plans on affordability https://www.pwc.com/ca/en/communications/publications/691586-impact-of-unlimited-data-plans-on-affordability.pdf
[13] https://www.statcan.gc.ca/eng/subjects-start/prices_and_price_indexes/consumer_price_indexes
[14] https://crtc.gc.ca/eng/publications/reports/policyMonitoring/2020/cmr5.htm#a2

levels and the 1 GB data-only plan dropped 28.5%[15].

26. These trends have also been recognized in a pricing report prepared for Innovation, Science, and Economic Development Canada (ISED) and publicly released in March 2020[16]. Significantly, the report notes that the introduction of unlimited data plans by Rogers caused a 30.6% price decrease across the country for single line 10 GB plans. Ongoing promotional activity in the market has resulted in even more dramatic decreases in data prices.

27. As the Committee is well aware, at the start of last year, the Government of Canada called upon the wireless industry to reduce wireless prices by 25% over two years. At the half-way point this past January, the industry is well on track. Rogers prices for the three data buckets studied (2, 4 and 6 GBs) have dropped between10%-18% already[17]. Even bigger price declines were seen during promotional periods such as Black Friday and Boxing Day. The reductions are purely the result of the competitive landscape between the three established players.

28. Rogers itself has played a significant role in driving these lower prices. We offer a variety of lower cost offers across the Rogers, Fido and chatr brands. These plans start from as little as $15 per month and offer a range of different services including: talk & text; talk, text and data plans; and data-only plans. They are available in both postpaid and prepaid versions. Many of Rogers' low-cost plans include unlimited calling and/or texting. Of particular note, Rogers' chatr brand offers prepaid talk, text, and data plans with no data overages starting at $15 per month.

29. These offers and price trends will continue after the merger of Rogers and Shaw. The bulk of the competitive intensity in the wireless market remains centred on competition between the three national carriers. It is this competition that drives most of Rogers' pricing decisions. Rogers will continue leading in innovation and choice to attract new customers and retain existing customers and compete every bit as strongly after the transaction closes as it did before. It is important to note that in any given year, the vast majority of customers switching providers choose one of the three national carriers. This implies that when customers evaluate their options, including price and quality, consumers can generally find the plans they are looking for in the varied and competitive offerings from the three national carriers. This transaction will intensify this dynamic competitive outcome and will benefit consumers.

30. As a sign of its commitment to affordability, Rogers has promised to not increase the price charged to any Freedom customer for at least three years. This is Rogers' assurance of its commitment to affordability. Moreover, this promise forms a ceiling, not a floor. As pricing falls across the industry, Freedom price plans could experience similar reductions.

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[15] Ibid
[16] https://www.ic.gc.ca/eic/site/693.nsf/eng/00182.html
[17] Telecom quarterly report: Price collection data - Mobile plans: More affordable wireless choices

31. On the broadband side, prices are similarly affordable. The average price of 50/10 service with unlimited data has dropped 5.6% annually between 2016 and 2019[18]. Meanwhile, the percentage of users who subscribe to unlimited usage grew to 55% of subscribers in 2019[19]. In addition, average revenue per GB of usage decreased by an average of 14% *per year* for all providers between 2016 and 2019[20]. This downward trend is due to the intense competition between the facilities-based cable and telecom providers.

32. While Rogers' everyday rates are affordable and competitive, we have also focussed on initiatives to help bridge the digital divide. In 2013, Rogers was the first carrier to offer plans to help connect low-income Canadians through its Connected For Success program. At launch, it provided 10 Mbps service for $10 a month to Canadians receiving rent geared to income assistance. This was followed by our leading role in the Canadian government's similar Connecting Families program. Rogers has assisted thousands of low-income Canadian households to access broadband service that will allow them to fully engage in the digital economy.

33. In order to help even more individuals and families access affordable Internet services, Rogers will expand its Connected for Success program nationally to reach every Canadian where the combined company offers Internet service. Additionally, this first-of-its-kind program has recently been augmented and now helps seniors, disabled and low-income Canadians who receive income assistance to access low-cost, high-speed Internet service, with multiple speed options to meet the growing needs of Canadians. These plans now range from $10 a month for a 25 Mbps service to $35 a month for a 150 Mbps service. This expansion means roughly 750K new households are now eligible for the program across Rogers' cable footprint in Ontario, Newfoundland and New Brunswick. This exciting expansion of the program (both in scope of eligibility and enhanced plans and price points) in addition to the inclusion of the Shaw network footprint will result in more low-income Canadians accessing high-speed internet services and helping to close the digital divide.

Rogers' Commitment to the West

34. The proposed transaction to acquire Shaw is just the start of Rogers' expanded role in Western Canada. Rogers recognizes the tremendous opportunity we have to not only grow our presence in the region by adding Shaw's network and connecting more Canadians, but, as importantly, by adding its team members to the Rogers organization.

35. Rogers will maintain a Western headquarters in Calgary. Our head office for Western Operations will work from Shaw's current head office at Shaw Court. Not only will this

[18] Figure 1, Average price by service (Canada), 2016-2019, CRTC 2020 CMR – Open Data – Communications Service Pricing in Canada
[19] Figure 8, CRTC 2020 CMR – Open Data – Retail Fixed Internet Sector and Broadband Availability
[20] Supplementary Table 4, Average revenue per user (ARPU) per GB usage ($/GB), 2016-2019, CRTC 2020 CMR – Open Data – Retail Fixed Internet Sector and Broadband Availability

office be used to manage customers, staff and facilities from Manitoba to British Columbia, it will house national lines of business too. It will be led by our President of Western Operations alongside other senior roles and department heads. Rogers has also committed to creating up to 3,000 net new jobs across Western Canada – including 500 new jobs in new and emerging technologies. Just as Rogers continues to operate Fido out of Montreal 17 years after its acquisition, and employ 3,000 employees in the Province of Quebec, Rogers will maintain and grow our operations and team in the West.

36. Alongside our Western corporate headquarters, Rogers will expand its research and development arm in Calgary. Building on our existing commitment to R&D innovation in 5G in Western Canada through our partnerships with UBC and University of Calgary, Rogers will establish a new National Centre of Technology and Engineering Excellence to support the needs of the new combined company, creating hundreds of new highly skilled jobs and opportunities to work with Canadian developers to create new consumer and business applications and services.

37. Rogers will also make transformative investments across the Western provinces. We have committed to spend $2.5B on 5G alone in B.C., Alberta, Saskatchewan and Manitoba. That is on top of $3B Rogers will spend to support additional network, services, and technology investments. These represent at least $2B in incremental investments for the region. These investments will drive tremendous economic stimulation, not just through their actual construction, but through the advanced services and improved productivity that 5G will deliver.

38. Finally, Rogers has made a $1B promise to help close the digital divide in Western Canada, extending service to underserved rural and indigenous communities. The current pandemic, and the necessary restrictions that have been imposed, dramatically underscores the vital importance of connectivity and extending networks to the country's remaining underserved areas. Broadband networks have sustained our nation's economy during one of our country's most trying times, allowing Canadians to work, study and stay connected to loved ones. Unfortunately, connectivity in many parts of rural Canada lags behind the rest of the country. That is why Rogers is committed to making this enormous investment to build out and connect unserved and underserved communities in Western Canada.

39. As this Committee is aware, while Canada's world leading networks continue to expand to more communities each year, the economics of deploying services to many rural and remote communities remain very challenging. The Government of Canada has recognized these hurdles and has launched several initiatives to close the digital divide including most prominently the $1.75B Universal Broadband Fund ("UBF"). Rogers has been an active partner in these programs, making several applications to connect unserved Canadians. On April 7, 2021 Rogers announced a further investment in conjunction with the B.C. and Federal Governments to provide connectivity along Highway 14 and Highway 16 (the Highway of Tears) in British Columbia.

40. The transaction to acquire Shaw brings the opportunity for Rogers to further expand services into unserved regions of Western Canada. The $1B promise is an incremental commitment that and will help close the digital divide and ensure that more Western Canadians can fully participate in the digital economy.

Conclusion

41. The proposed merger of Rogers and Shaw is an opportunity to drive innovation and investment in Canada. The combined entity will have the scale to deploy 5G across the country faster and more extensively than either could have done on their own and connect more Canadians in underserved markets, including rural and Indigenous communities. We need to close these connectivity gaps to ensure more consumers and Canadian businesses participate and compete effectively in the digital economy.

42. This will stimulate growth not only in the telecommunications sector but across the Canadian economy. 5G will not just change how Canadians communicate, work and learn, but will ensure Canada's future global competitiveness, and attract new jobs and investment that will drive our economy forward.

43. The merger will not dampen competition in Canada but enhance it, driving down prices for consumers. Canada needs a true alternative to Bell and Telus and their shared wireless network. The combined resources of Rogers and Shaw will allow the new entity to build out and operate the most advanced network, delivering speeds and capacity that otherwise would have been unavailable. This level of competition will ensure affordable services. Rogers has committed to maintain Freedom prices for three years while at the same time expanding our Connected for Success program across Shaw's network footprint.

44. Rogers remains equally committed to Western Canada. We will not only preserve Shaw's operations but expand them, investing billions of dollars and hiring thousands of workers. The Calgary headquarters will be a focal point for Rogers, running not just activities for the region but for the entire country. We will also extend our network into more unserved communities, making the internet more accessible at a time when it is needed the most.

45. Rogers does not make these promises lightly. They are commitments that will be kept. The proposed merger is a transformative opportunity to provide Canadians the latest generation of network technology and keep Canada competitive on the world stage. To quote our founder Edward (Ted) Rogers, "The best is yet to come".

46. Rogers appreciates the opportunity to share its views with the Committee.

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