

House of Commons Standing Committee on Industry and Technology



Study on Accessibility and Affordability of Wireless and Broadband Services in Canada

Submission by TELUS

April 3, 2024

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Standing Committee on Industry and Technology
House of Commons, Parliament of Canada

Dear Members of the Standing Committee on Industry and Technology (INDU),

Further to the appearance of Darren Entwistle, President and CEO of TELUS, on March 18, 2024, we are providing supplementary information in support of the study on the “Accessibility and Affordability of Wireless and Broadband Services in Canada.”

Included in this submission is:

- A summary of key facts and statistics that pertain to the Members’ questions, including, but not limited to, wireless and high-speed internet affordability, data usage, spectrum costs, device costs and network quality, as well as government funding to support connectivity projects in rural and Indigenous communities
- A list of references

Between the substantial evidence provided during the respective appearances at INDU of our President and CEO on March 18, as well as our Executive Vice-President and Chief Financial Officer on February 28, along with the supplementary information provided herein, I trust that TELUS has clearly demonstrated that the telecom industry is delivering exceptional value and lower prices for Canadians against a backdrop of historic inflation, whilst playing a vital role in strengthening our nation’s economy.

Sincerely,

Nick Moore
Director, Federal Government Relations
TELUS

1. Key Facts

1.1 Price & Affordability

Fact #1: Wireless prices are declining rapidly, against a backdrop of historic inflation

- Wireless prices declined 26.5% from February 2023 to February 2024, while economy-wide inflation rose 2.8% ([StatCan, 2024a](#)).
 - If wireless prices (cellular services index (CSI)) were excluded from the CPI, Canada's rate of inflation would have been 3.3% (an increase of 19.1%).
- Wireless prices declined 50.4% over the last five years. This is against a backdrop of historic economy-wide inflation of 18.1% during the period ([StatCan, 2024b](#)).
 - If wireless prices were excluded from the CPI, Canada's rate of inflation would have been 19.3% (an increase of 6.9%).
- The Wall Report also shows sharply declining prices for telecom services in Canada with declines of up to 16% for the largest data plans in 2022 alone ([ISED, 2023](#)).
- Public Mobile provides 50 GB of data at a cost of \$34 using 5G technology, which amounts to \$0.68 per gigabyte (see screenshot below, dated April 2, 2024).
 - This price is 97% lower than the government's initial benchmark price, established at the beginning of their mandate to reduce prices by 25%, which was 2 GB for \$50 or \$25 per gigabyte ([Government of Canada, 2020](#)).

The screenshot shows a promotional offer for a 5G Speed plan. At the top, it says 'PROMOTION' and '5G Speed'. The main price is '\$34.00 / MONTH'. Below this, there is a dark blue box with white text: 'For a limited time, get a FREE eSIM or physical SIM when you subscribe***'. At the bottom, there is a list of features: '50 GB Data at 5G Speed¹', '5G Speed¹ up to 250mbps and unlimited data at reduced speed²', 'Unlimited Canada-wide minutes and messaging plus unlimited international text and picture messaging³', and 'Earn \$1.70/month in points value with our Public Points™'.

Fact #2: Canada has among the lowest wireless prices across advanced economies when accounting for network quality and cost factors

- According to ISED’s Wall Report, wireless prices in Canada are lower than those in the United States and Japan across all eight market baskets ([ISED, 2023](#)).
 - For instance, at Market Basket 1 for talk and text, Canadians pay only 50.4% of what Americans pay; at Market Basket 3, which includes 2-4 GB of data, Canadians pay 64.4% of the US price; and at Market Basket 6, for 10-19 GB of data, the price in Canada is 82.8% of that in the US.
 - It is important to note, however, that these comparisons do not take into account network quality—for example, Canada's 4G wireless network is faster than that of the US—nor the higher cost factors to provide service in Canada, which are 44% greater than in the US ([OECD, 2022](#); [Christensen Associates, 2023](#)).
- Accounting for network quality and cost factors, when compared to the G7 countries and Australia, Canada offers a superior mobile wireless value proposition, with prices that are almost 5% lower than the average price that foreign carriers would charge for the same plan and quality of service ([CTIA, 2021](#)).
- Canadian households spend less of their income on wireless services than their American counterparts, with Canadians allocating 1.4% compared to 1.5% in the US. This trend holds across all income levels and is particularly pronounced in the four lowest income quintiles, underscoring Canada's more affordable wireless services ([CMI, 2024](#)).

Fact #3: High-speed Internet prices are declining rapidly, against a backdrop of historic inflation

- High-speed Internet prices declined 13.2% from February 2023 to February 2024 ([StatCan, 2024a](#)).
- High-speed Internet prices declined 21.5% over the last five years. This is against a backdrop of historic economy-wide inflation of 18.1% during the period ([StatCan, 2024b](#)).
- The most recent Boxing Day was intensely price competitive (see screenshot below dated January 22, 2024). Comparing these deals in December 2023 to average high-speed Internet prices in 2022 as presented in the government’s Wall Report finds:
 - Prices on TELUS for a 250 Mbps (download speed/upload speed) plan was 18% less expensive than Wall’s benchmark plan (\$75 vs. \$91).
 - Prices on TELUS for a 940 Mbps plan was 10% less expensive than Wall’s benchmark plan (\$95 vs. \$105).

- As of April 3, 2024, the price of Koodo 100 Mbps home Internet, \$65 per month, is 16% less expensive than Wall’s benchmark plan (\$75.39 per month) ([Koodo, 2024](#)).

Plan Name	Speed	Current Price	Original Price	Savings
Fast	250 Mbps	\$75 /mo.	\$105 /mo.	\$30/mo.
Faster	500 Mbps	\$85 /mo.	\$115 /mo.	\$30/mo.
Fastest	940 Mbps	\$95 /mo.	\$125 /mo.	\$30/mo.

Fact #4: High-speed Internet prices are lower in Canada than in most advanced economies

- Canada ranks as the third most affordable country for high-speed Internet services when compared to eight countries (United States, United Kingdom, Germany, France, Italy, Australia, New Zealand) ([NERA, 2023](#)).
- Adjusting for similar demand and supply dynamics to those in Canada, Canadian consumers pay 42% less than their US counterparts for standalone high-speed Internet plans, and 28% less for bundled plans ([NERA, 2023](#)).
- Canadians pay about \$0.11 per GB, lower than in Germany, Italy, and the UK. ([PwC, 2023](#)) (Note: data not available for US or France).
- As a share of disposable income, Canada’s high-speed Internet average revenue per user (ARPU) is lower than the average of five advanced countries, including Germany,

France, the UK, and Australia (0.7% vs. 0.9%) ([PwC, 2023](#)) (Note: data not available for US or Italy).

Fact #5: Canadians have among the highest levels of data consumption across advanced countries

- Across wireless and high-speed Internet, Canadians have the second highest data consumption per capita among G7 countries and Australia ([PwC, 2023](#)).
- Along with the UK, Canada was the only country where consumers use more than 400 GB of data per month on average, with Canadians using 447 GB per month across both wireless and high-speed Internet ([CWTA, 2024](#)).
 - Canadians consume more than twice as much data and almost twice as much data as France and Germany, respectively ([PwC, 2023](#)).
- From 2017 to 2021, growth in Canadian high-speed Internet use was the highest among comparative countries, growing at 27.7% annually, while wireless data consumption grew at 20% ([PwC, 2023](#)).

Fact #6: The industry is drastically cutting prices while absorbing historically high costs and longstanding diseconomies of scale and scope

- Prior to the historic inflation of 2022, cost factors of production (including capital, labour, materials, and spectrum) were 103% higher than in the other G7 countries and Australia ([Christensen Associates, 2023](#)).
- Canadian operators are price takers from the supply chain. For example, devices account for more than 20% of total operating expenses for wireless carriers ([StatCan, 2024c](#)).
 - These costs may be significantly higher in Canada due to: 1) Canadian service providers exercising considerably less buying power over device manufacturers due to the lower number of subscribers in Canada; and 2) the regulatory mandate in Canada that device costs be amortised over a period no longer than 24 months ([Christensen Associates, 2023](#)).
- Similarly, Canada's international roaming rates reflect the costs from international network operators.
 - When Canadians travel, they rely on third-party networks, making roaming rates a direct function of the costs imposed by local carriers. This approach aligns Canadian rates with global standards.
 - Canadian consumers can manage roaming costs by choosing plans that include roaming, using targeted discounts, disabling roaming to prevent unintended

charges (especially in border areas), and purchasing local SIM/eSIM cards to access lower local rates.

- Carriers including TELUS and Public Mobile help prevent unexpected roaming fees and demonstrate their commitment to consumer value with competitive plans, such as TELUS' \$105 per month for 150 GB with unlimited Canada-US-Mexico calling/texting/roaming, and Public Mobile's \$39 for 60 GB and \$50 for 100 GB Canada-US plans.

Fact #7: Canada's networks remain among the best in the world despite much higher input costs and rapidly declining retail prices

- Despite challenging cost conditions, Canada has among the best wireless networks in the world. Canada's 4G wireless networks ranked second in the world, trailing only South Korea ([OECD, 2022](#)).
- In fact, if rural Canada were a country it would rank 12th in the world for 4G download speeds ([OpenSignal, 2019](#)).
- Canada ranks 10th in high-speed Internet download speeds out of 38 OECD countries, which is notably impressive given that its geographical size is more than 80% of the nine countries with faster speeds combined ([OECD, 2022](#)).
- Canadian consumers benefit from world-leading high-speed Internet network quality, with the highest number of plans available with download speeds over 1000 Mbps, across the G7 and Australia ([NERA, 2023](#)).
- Only a handful of countries benefit from the extent of dual high-speed Internet access (HSIA) network coverage (both cable and incumbent local exchange carrier (ILEC)) enjoyed by 85% of Canadians. Moreover, none of those countries face the formidable challenges of Canada's vast geography, challenging topography, and low population density ([TELUS, 2024a](#)).

Fact #8: Canada's world leading networks create massive benefits for Canada

- Canada has the 3rd highest level of capital investment per capita in the OECD, with operators in Canada investing 84% more than average among OECD countries across wireless and wireline technologies ([OECD, 2023](#)).
- By contrast, in the UK and EU, excessive price regulation has led to substantial investment gaps of £25B and €200B, detrimentally impacting the economy and consumer services. Government interventions are underway to address these deficiencies, offering a cautionary tale for Canada's regulatory approach ([Mobile UK, 2024](#); [European Commission, 2023](#)).

- In the UK, the mobile industry is calling for taxpayer support for their networks, including to eliminate annual license fees, reduce the tax burden on telecom companies, and offer incentives for investments in rural areas ([E+T, 2024](#)).
 - The EU's investment strategy involves allocating €148B to achieve Gigabit network coverage for all households and comprehensive 5G services by 2030, utilizing funds from CEF Digital and the Recovery and Resilience Facility to bridge the digital divide ([European Commission, 2023](#)).
- Canada's telecom industry generated \$77B worth of GDP in 2022, along with supporting 724,000 jobs, with wages 42% higher than other service industries ([PwC, 2023](#); [StatCan, 2024d](#)).
- Connectivity is a significant driver of innovation, accounting for almost 20% of Canada's labour productivity growth from 2009 to 2019 ([CSLS, 2023](#)).
- Unlike all other industries, the telecom industry has programs such as Internet for Good and Connecting Families that are available to approximately 20% of Canadian families ([TELUS, 2024](#); [ISED, 2024](#)).
- TELUS has contributed \$1.7B and over 2.2M days in volunteer service to communities since 2000, showcasing its unmatched charitable efforts in Canada.
- Through TELUS Health and TELUS Agriculture, the company addresses critical societal issues like healthcare, food security, and safety, also enhancing efficiency in various sectors through Internet of Things (IoT) connectivity.
- TELUS is significantly held by Canadians through individual shares, mutual funds, and pension plans, supporting the financial well-being of seniors and its employees, with team members representing the fourth largest shareholder group.

1.2 Spectrum Policy

Fact #9: Canada's spectrum policy leads to higher retail wireless prices

- Canadian carriers pay among the highest spectrum prices across the OECD ([Analysys Mason, 2023](#)).
- In 2020, these high spectrum prices accounted for approximately \$100 on the annual wireless phone bills of every Canadian, or about 12.5% ([Crandall, 2021](#)).

- In 2021, Canada's auction of 3500 MHz spectrum, necessary for 5G networks, extracted a record \$9B from telecom operators. Over the last decade, carriers have paid \$29B for spectrum licenses ([StatCan, 2024d](#)).
- In addition to high spectrum prices, spectrum fees are increasing. In contrast to the 26.5% reduction in wireless prices from 2023 to 2024, TELUS' spectrum fees increased 5.3%, from \$52.6M in 2023 to \$55.4M in 2024 ([ISED, 2024b](#); TELUS calculations).
- Unlike in other OECD countries, there is no mechanism in Canada to determine if spectrum policy is delivering socioeconomic benefits for Canadians ([IFSD, 2022](#)).

1.3 Government Funding for Connectivity Projects

Fact #10: TELUS acknowledges the important funding from the Universal Broadband Fund (UBF) to support rural projects that are otherwise uneconomical, accounting for approximately 0.6% of its capital expenditures

- Since 2020, TELUS has received \$90.9M conditionally approved funding from the UBF program to complete 39 projects to serve 233 communities and 22,131 households ([Selected Universal Broadband Fund projects](#)).
 - This equates to 0.59% of TELUS CapEx during the five-year period, 2018-2022, which equalled \$15.6B ([TELUS, 2022](#); [TELUS, 2021](#); [TELUS, 2020](#); [TELUS, 2019](#); [TELUS, 2018](#)).
 - By comparison, Quebecor has received approximately \$6.9B in effective spectrum subsidies (Note: calculated as the difference between open and set-aside price for Videotron and Shaw's spectrum holdings (procedures audited by Deloitte, available upon request)).
- Overall, TELUS has over 80 partnerships and more than \$500M co-invested by TELUS and government partners to support the closure of the digital divide for rural and Indigenous communities ([TELUS, 2024b](#)).

2. References

[Analysys Mason, 2023](#)
[Christensen Associates, 2023](#)
[CMI, 2024](#)
[Crandall, 2021](#)
[CSLS, 2023](#)
[CTIA, 2021](#)
[CWTA, 2024](#)
[European Commission, 2023](#)
[E+T, 2024](#)
[IFSD, 2022](#)
[ISED, 2023](#)
[Government of Canada, 2020](#)
[Koodo, 2024](#)
[Mobile UK, 2024](#)
[NERA, 2023](#)
[OECD, 2022](#)
[PwC, 2023](#)
[StatCan, 2024a](#)
[StatCan, 2024b](#)
[StatCan, 2024c](#)
[StatCan, 2024d](#)
[TELUS, 2024a](#)
[TELUS, 2024b](#)
[TELUS, 2022](#)
[TELUS, 2021](#)
[TELUS, 2020](#)
[TELUS, 2019](#)
[TELUS, 2018](#)

3. Further Background Documents

[Wireless prices infographic](#)
[High-speed Internet prices infographic](#)