

by Martin Masse and Paul Beaudry | September 2014

There are several myths going around regarding the state of competition in the Canadian wireless sector. According to critics, the lack of competition compared to other industrialized countries means that Canadians are among those who pay the most for their services—services, moreover, that are of poor quality.

The MEI recently delved into this subject in some detail.¹ As a new round of CRTC hearings begins, during which wholesale roaming fees will be debated,² we are revisiting the matter briefly in order to contribute to a more balanced debate.

MYTH 1

Canadians are among those who pay the most for their wireless communications services

A report prepared by Wall Communications for the CRTC and Industry Canada provided some enlightening comparisons of the prices paid by consumers in six countries, namely Canada, the United States, the United Kingdom, France, Australia and Japan.³ Based on a basket of equivalent wireless services, the Canadian price was relatively expensive for low-volume users, ranking 5th out of 6. But for consumers with a high volume of usage, the Canadian price was competitive; it came in 4th, far ahead of the American and Japanese prices.

A similar comparison was carried out by Wall Communications for bundles of different services like digital television, wireless telephone service and a broadband Internet connection. In all three combinations examined, the Canadian service bundle ranked 3rd out of 6. It is therefore false to claim that Canadians pay systematically higher prices for their telecommunications services. Generally speaking, current prices in Canada are higher than in Europe, but lower than in the United States, Japan and Australia. Comparing different mobile wireless service bundles, the OECD arrived at the same conclusion, namely that Canada is about average when it comes to high-volume usage, ranking 21st out of 34 countries.⁴

MYTH 2

Canada's wireless network is inefficient

If prices are competitive, all things considered, what about the quality of services? Once again, international comparisons allow us to disprove the myth of the poor performance of Canada's wireless network.

According to the authoritative Ookla Net Index, Canada ranks 8th among 25 large industrialized countries in terms of mobile download speed and 9th in terms of mobile upload speed. In both directions, Canada is ahead of countries like Japan, the United States and Switzerland, but behind Australia, France and Sweden.⁵

According to another ranking, Canada is 6th out of 16 when it comes to the specific criterion of LTE download speeds, which is to say the fastest 4G technology.⁶ With 14% of total connections in 2013 being LTE connections, Canada ranks 5th among 12 selected OECD countries, far ahead of the United Kingdom, France and Germany, each with less than 4%.⁷

1. Martin Masse and Paul Beaudry, *The State of Competition in Canada's Telecommunications Industry — 2014*, Montreal Economic Institute, May 2014.

2. The CRTC is holding public hearings starting September 29 in order to determine if the wholesale mobile wireless services market is sufficiently competitive in Canada. The federal government already believes that this market is not competitive. It has set a temporary ceiling on the fees that Canadian telecommunications carriers can charge when they rent their wireless networks to small service providers that do not have infrastructure of their own across the country. See the Telecom Notice of Consultation CRTC 2014-76, February 20, 2014.

3. Wall Communications, *Price Comparisons of Wireline, Wireless and Internet Services in Canada and with Foreign Jurisdictions: 2013 Update*, Report prepared for the CRTC and Industry Canada, April 2013, Tables A3.2 and A3.5.

4. OECD, *OECD Communications Outlook 2013*, July 2013, quoted in Jeffrey Church and Andrew Wilkins, "Wireless Competition in Canada: An Assessment," *SPP Research Papers*, Vol. 6, No. 27, Table 1, September 2013.

5. Ookla Net Index (Mobile Download Index, Mobile Upload Index), April 6, 2014.

6. OpenSignal, *Global State of LTE Report*, February 2014.

7. Cisco, *Network Connections, VNI Mobile Forecast Highlights 2013-2018*, 2013.

MYTH 3

There is less competition in the wireless sector in Canada than in most other industrialized countries

With three national wireless service providers and several regional competitors, Canada is in fact far from being a special case among industrialized countries (see Table 1). On the contrary, it is quite typical in this regard. Moreover, countries like Japan, Austria and Germany have recently gone from five or four to three providers. Taking into account merger attempts underway in other countries, the three-player model could soon become the norm.

Despite the federal government's adoption of several measures in recent years to encourage the emergence of a fourth national provider, the Canadian market remains dominated by Bell, Rogers and TELUS, which are the only ones with their own pan-Canadian networks of cellular towers. While these interventionist measures may have allowed cable providers like Vidéotron in Quebec and EastLink in Atlantic Canada to add wireless telephone service to their offerings, things did not work out quite so well for the other would-be players. Public Mobile was bought by TELUS, Mobilicity is under court protection from its creditors and WIND Mobile remains on shaky ground despite a recent ownership restructuring.

Experience suggests that in Canada, as elsewhere in the world, the most successful telecommunications providers are large, integrated companies that can offer service bundles including wireless telephony, a broadband Internet connection and digital television. As for the three-player model, it ensures dynamic competition while also allowing large companies to pay for the colossal investments required to set up and maintain such extensive networks, especially in a country as vast and sparsely populated as Canada.

Table 1
Number of wireless providers
in industrialized countries

Australia	3
Austria	3
Belgium	3
Canada	5 (3)*
Denmark	4
Finland	3
France	4
Germany	3
Greece	3
Italy	4
Japan	3
Netherlands	4
New Zealand	3
Norway	3
Portugal	3
Spain	4
Sweden	4
Switzerland	3
United Kingdom	4
United States	4*

Source: Glen Campbell, *Global Wireless Matrix 4Q13. 2014: The Year Ahead*, Bank of America Merrill Lynch, January 8, 2014, p. 2. Modified by the authors to take into account the latest developments from Japan and Germany.

*There are actually only three national carriers in Canada, but this source includes the two remaining entrants from the 2008 auction, Mobilicity and WIND Mobile, which do not have national networks and are in financial difficulty. Both Canada and the U.S. also have a number of regional networks.



Martin Masse is the Senior Writer and Editor at the Montreal Economic Institute, a post he has held since 2011. **Paul Beaudry** is an associate in the Ottawa and Montreal offices of Stikeman Elliott, where he practices competition law.

The **Montreal Economic Institute** is an independent, non-partisan, not-for-profit research and educational organization. Through its publications, media appearances and conferences, the MEI stimulates debate on public policies in Quebec and across Canada by proposing wealth-creating reforms based on market mechanisms. It does not accept any government funding.

www.iedm.org