



Matt Hatfield, Executive Director, OpenMedia

To the Standing Senate Committee on Transport and Communications (TRCM);
Re: Bill C-69, Division 37, Part 4

Wednesday, May 28, 2024

Opening Remarks (Check against delivery):

Good afternoon. I'm Matt Hatfield, and I'm Executive Director of OpenMedia, a grassroots community of over 280,000 people in Canada that work together for an accessible Internet. Today I'm grateful to be joining you from the unceded territory of the Sto:lo, Tsleil-Waututh, Squamish and Musqueam Nations.

Watching this committee last week, I was thrilled to hear you asking questions every Canadian has. Why does Canada struggle with such high telecom prices? Does this proposal help? Why isn't the CRTC fixing the problem?

So, yes: it should be as easy as possible to switch carriers, and the proposed changes may help. They may even have a very modest pro-competition impact. But we're still moving the chairs around on the deck of a steeply tilted system – a system tilted against consumers, and towards Rogers, Telus, and Bell. It being easier to switch doesn't help if you have no one to switch to. And providers will continue finding ways to squeeze, trick, and subtly mislead their customers, despite these changes. Some people I talked to even worry by clarifying the rules, some abusive practices that weasel around them will be seen as more legitimate. What it comes down to is that there is simply not a binding set of rules we can put on providers that fully protect their customers from abuses of monopoly power. The solution to market power is disrupting the oligopoly; nothing less will do.

Why does Canada's telecom market consistently fail consumers? We believe it's because our chief watchdog, the CRTC, is deeply committed to a competition model that can never succeed.

ISED staff told you last week that Canada's telecom system is heavily monopolized, and that that's a natural product of how expensive telecom infrastructure is. Because of the huge advantages granted by existing infrastructure – infrastructure partially paid for by our government, in many cases! – ISED fairly pointed out that we can't realistically expect foreign competitors or new Canadian companies to enter our market and build infrastructure at the volume needed to compete.

But that very unlikely scenario— having new companies come in and build infrastructure to compete – has been the CRTC's core strategy for more than a decade. When they've grudgingly enabled competition by purchasing access to infrastructure, it's only with a long list

restrictions aimed at forcing startup companies to start building their own infrastructure, often within a few years.

It's never worked. Not for the small ISPs that briefly flourished in Canada, but were denied high-speed fibre Internet access for so long that most of them stopped existing. And not even for Shaw, which was supposed to be our fourth infrastructure-based national competitor. Shaw's story ended when they sold out to Rogers; and they did so telling investors very directly that they could not possibly scale up enough to succeed. The government forced Rogers to sell Freedom Mobile to Videotron, apparently hoping that what Shaw couldn't do, Videotron will.

I hope Videotron succeeds. They have some advantages Shaw didn't; but some significant disadvantages too. But there's no reason to be confident that 5 or 10 years from now, a Big Three telecom provider will not try to buy Videotron, like Rogers bought Shaw. This kind of competition is limited and always at risk.

There are two effective long-term remedies for treating customers fairly in a naturally monopolistic system. You can recognize that competition needs permanent help to exist, and force all large infrastructure owners to resell access at fair rates, so there's always enough companies in the market. That's how wired Internet was supposed to work; but that system has nearly collapsed, because the CRTC paid little attention to making sure it was workable for the small companies until it was too late. That's how an MVNO system for mobile services would work too. MVNOs plainly accomplish that goal in many other countries, but in Canada, the CRTC refuses to try them.

The second solution is making telecommunications a national government service that charges fair rates. That's a much larger government investment and not currently a popular one, but either of these strategies could in principle make Canadian telecom prices globally competitive.

What can't work is asking small startups to somehow succeed against the natural monopoly structure of telecommunications. Even Bell and Telus don't want to build duplicative networks; they share much of their mobile infrastructure across Canada. Demanding that small Canadian businesses build infrastructure that Bell and Telus don't think profitable to do is asking them to make squeezing blood from a stone their core business model. Somehow that's the strategy the CRTC has fixated on, and that needs to change.

Several of you asked last week why these small changes are wedged into the budget, instead of being part of the CRTC's everyday work. You're right to wonder! I can only guess the government believes the CRTC is missing on parts of its core mission, and is forcing through some small improvement for Canadians as better than nothing at all.

But it isn't enough. Last week, Senator Cardozo said your committee has the opportunity on these issues to look carefully at the big picture and evaluate what's going wrong. I strongly encourage you to do so. Without changing the underlying power imbalance between telecom

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keep the Internet open, affordable, and surveillance free.*



companies and Canadians, quarter-measures like we're discussing today can only mildly improve an intolerable status quo.

Thank you and I look forward to your questions.