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Annie Ruhlmann for / pour
REGISTRAR / REGISTRAIRE

OTTAWA, ONT.

679

COMPETITION TRIBUNAL

IN THE CASE of *Competition Law*, L.R.C. 1985, c. C-34;

IN THE CASE of the bid by Rogers Communications Inc. to acquire Shaw Communications Inc.;

AND IN THE CASE of a request by the Competition Commissioner for one or more ordinances pursuant to Article 92 of the *Competition Law*.

BETWEEN:

THE COMPETITION COMMISSIONER

Plaintiff

-and-

ROGERS COMMUNICATIONS INC. AND SHAW COMMUNICATIONS INC.

Defendants

-and-

VIDEOTRON LTEE AND THE ATTORNEY GENERAL OF ALBERTA

Intervenors

STATEMENT OF PIERRE KARL PÉLADEAU

I, the undersigned, Pierre Karl Péladeau, from the city of Montreal, in the province of Quebec, declare the following:

1. I am the President and CEO of Quebecor Inc. (**Quebecor**) and, since June 2021, the president of the indirect subsidiary owned exclusively by Quebecor, Videotron Ltée (**Videotron**).

I am also the majority shareholder of Quebecor. As indicated in the Management Proxy Circular for Quebecor's annual General Meeting in 2022, on March 10, 2022, I held shares representing 75.05% of all voting rights of Quebecor's shareholders.

2. Between 2013 and the start of 2017, I left Quebecor and Videotron to get into provincial

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politics. Not having been involved in these two companies during that period, I learned what had happened during my absence upon my return in 2017.

Quebecor and Videotron

3. In the 1950s, my father founded the company that would become Quebecor. During the course of those first five decades, the activities of Quebecor primarily focused on publication and printing of print media, like Le Journal de Montreal, and on commercial printing. At the end of the 1990s, Quebecor had become the largest printing group in the world through its subsidiary Quebecor World Inc.

4. I took up managing Quebecor in 1999 following the death of my father. Even though Quebecor had built an astounding presence in the fields of printed publication and commercial printing, the world had become digital and a company based on printing had little chance to succeed in the long-term.

5. Quebecor quickly recognized that telecommunication services were becoming the new information highways in a world that was becoming more and more digitized. In 2000, Quebecor acquired the Quebecois telecommunications company Videotron through the subsidiary exclusively owned by Quebecor, Quebecor Media Inc.

6. Videotron has a long history in Quebec. Established in 1964, by 2000, Videotron had a vast cable distribution network and a very large number of subscribers throughout Quebec, and this happened because of organic growth and several acquisitions. It offered traditional cable distribution services as well as internet services in addition to holding other media assets.

Videotron gets into the wireless industry

7. Quebecor has always recognized that—even if telecommunication services represented the

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future—telecommunication services were also beset by significant changes. Wireless services were gaining importance and were at the point of sustaining even greater growth. On August 9, 2006, Videotron announced that it was getting into the wireless industry. At that time, Videotron did not have its own wireless network, but it offered wireless services via the Rogers network as a mobile virtual network operator (MVNO).

8. At the end of 2006, Videotron only had 12,000 wireless subscribers, but it was determined to have its activities grow in this field, competing with the three companies that dominate wireless services in Canada: Rogers, Bell and Telus. These three companies are often called the Three Carriers, or the Carriers. The Three Carriers have benefited from considerable assets, particularly from the wireless spectrum that they had acquired—in certain cases for free or at low costs—from the first days of wireless technology. On the other hand, Videotron did not have any spectrum and was not able to acquire any except by means of government auctions at a very high price.

9. In 2007-2008, the federal government decided to favor the emergence of competition in the wireless field, reserving some spectrum, among other things, for the new companies who had come into the sector, like Videotron, so that they could acquire it at a lower price. The objective of the government was to favor the emergence of viable competitors to the Three Carriers.

10. Videotron participated in a licensing auction for wireless services developed in 2008 and acquired a significant spectrum in Quebec to support its network planned in that province. It was also planning to make a bid for spectrum licenses in the rest of Canada (**ROC**) with the long-term objective of developing a network capable of competing with the Three Carriers at the national level. However, during the auction process, another new company, Globalive, which was planning to carry out its activities under the name Wind Mobile, made aggressive bids on spectrum licenses, offering prices that went well beyond the financial capacities of Videotron. You will find a

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newspaper article describing the results of the auction in **Annex 1**. At that time, Quebecor was very much in debt because of its acquisition of Videotron in 2000 and it was not able to compete with Globalive's bids. It later turned out that Globalive had been in a position to make these very aggressive bids exclusively because of funds provided by foreign investors.

11. Rather than competing with Globalive's bids in the region of the greater Toronto area (**GT**), in Alberta and in British Columbia, Videotron focused its bids on the spectrum in Quebec. However, Videotron had also submitted a tender for a license of 10 MHz in the GT region and ended up with the highest bid for that spectrum at the end of the auction. It paid for the license, but considering the sequence of events at the auction, it no longer planned to roll out this spectrum to build a national network. Instead of that, Videotron focused on the roll out of its spectrum in Quebec and started to build a network in the Quebec area. It ended up selling its license of 10 MHz in the GT to Rogers, as indicated below.

Development of a wireless network by Videotron in Quebec

12. The appearance of Globalive during the 2008 auction and the financial situation of Videotron forced the latter to focus its wireless activities in Quebec initially. However, Videotron was still interested in developing or acquiring the expertise and the assets that would allow it to expand to the national level one day, competing with the Three Carriers. That's what it did by building and successfully operating a wireless network in Quebec. You will find an article about the competition projects of Quebecor/Videotron attached as **Annex 2**.

13. On September 9, 2010, Videotron announced the launch of wireless services on its own network, offering 3G service (high-speed access plan) in Montreal and in Quebec. At the same time, Videotron announced aggressive pricing options and aimed to grow its clientele.

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14. Videotron's entrance into the wireless market in Quebec was a great success, as much for Videotron as for the wireless subscribers in Quebec. On June 30, 2022, Videotron had 1,661,000 wireless subscribers in Quebec and in certain regions in eastern Ontario. In 2021, Videotron's wireless activities generated revenues of around 712.5 million dollars, so around 19% of Videotron's total telecommunications revenue (3.74 billion dollars) and around 15.6% of Quebecor's total revenue (4.55 billion dollars). On December 31, 2021, it estimated its market share in the wireless sector in Quebec to be at around 22% and its share of gross additions in the fourth quarter of 2021 at 32%. You will find Videotron's annual report dated December 31, 2021, which was filed with the *Securities and Exchange Commission* in the United States, attached as **Annex 3**.

15. Parallel to this, the competition that Videotron brought to the Three Carriers in Quebec enabled the Quebecois to benefit from the lowest wireless service prices in Canada. In some cases, it was up to 40% less than those of other provinces. Videotron also established aggressive rates for wired services in Quebec. For that reason, industry observers described Videotron as an aggressive competitor and called the price differences between Quebec and the ROC the "Videotron effect". You will find a newspaper article about the competitive effect of Videotron attached as **Annex 4**.

16. The comparisons of prices announced by Videotron's competitors for the same wireless and wired services in Quebec and in other provinces demonstrates what has been called the Videotron effect. For example, on August 29, 2022, Bell announced the same internet service in Montreal for less than have the price it announced in Toronto:

Montreal

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Fibe gigabit 1.5

Fiber to your home

[Learn more](#)

 1.5 Gbit/s² Max. download speed at your universal limit	 940 Mbit/s³ Max. upload speed at your universal limit	 Unlimited Monthly use	 Universal limit 4000 Wi-Fi 6 included
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Add the Wi-Fi pods for only 5 \$/month each. [Learn more](#)

Take advantage of a credit of **33 \$/month*** for 2 years. Now only:
59.95 \$/month

Current price ~~84.95 \$/month~~. Prices may increase during subscription.
*Credit earned at the end of the full billing period.
[Conditions of the offer](#)

Installation fees may apply [illegible]

[Order](#)

Toronto

Gigabit Fibe 1.5

Fiber to your home

[View details](#)

 1.5 Gbps³ Max download speed to your Home Hub	 940 Mbps⁴ Max upload speed to your Home Hub	 Unlimited Monthly usage	 Home Hub 4000 Wi-Fi 6 included
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Add Wi-Fi pods for \$5/mo, each. [Learn more](#)

Enjoy a credit of **\$10/mo.*** for 2 years. Right now, pay just:
\$124.95/mo

Current price ~~\$134.95/mo~~. Prices may increase during subscription.
*Credit earned at the end of full billing periods. [Offer details](#)
Installation fee may apply [illegible]

[Order now](#)

17. Likewise, Bell already announced the same wireless plan to consumers in Quebec for \$15 less per month than what it offered to consumers in Ontario, Alberta and British Columbia:

Ontario / Alberta / British Columbia

Quebec

**SAME PLAN
DIFFERENT PRICE
WHY?**

Your phone. Our Unlimited Share[®] plan.

\$80 /month

20 min / \$80

\$65 /month







20 min / \$65

Canada's premium source for cannabis news and culture

Bell

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18. Another comparison of Bell's plans shows that consumers in Ontario, Alberta and British Columbia often pay more for wireless services, but they get much less. In this example, Bell announced plans that cost \$10 *more* than in Quebec, but that offer *less* data to 15 Go customers (25 Go vs. 40 Go):

Ontario / Alberta / B.C.	Quebec
<div data-bbox="305 747 448 783">Essential</div> <div data-bbox="305 806 480 890">Average price per line \$85.00/mo.</div> <div data-bbox="305 911 428 930">Based on 1 line</div> <hr/> <div data-bbox="313 989 651 1052"> 25 GB at speeds up to 250 Mbps & unlimited data at reduced speeds³</div> <div data-bbox="477 1073 500 1100">+</div> <div data-bbox="305 1129 578 1165">5G 5G network access⁴</div> <div data-bbox="313 1209 618 1266"> SD video streaming* ⓘ</div> <div data-bbox="305 1310 618 1346"> Hotspot capabilities ⓘ</div>	<div data-bbox="1013 695 1230 720">ONLINE EXCLUSIVE ELIGIBLE</div> <div data-bbox="943 751 1122 787">Ultimate 40</div> <div data-bbox="943 810 1118 894">Average price per line \$75.00/mo.</div> <div data-bbox="943 915 1066 934">Based on 1 line</div> <hr/> <div data-bbox="951 984 1300 1047"> 40 GB at our fastest available 5G+ speeds & unlimited data at reduced speeds³</div> <div data-bbox="1105 1068 1128 1096">+</div> <div data-bbox="943 1125 1203 1161">5G 5G network access⁴</div> <div data-bbox="951 1205 1247 1262"> HD video streaming* ⓘ</div> <div data-bbox="943 1306 1247 1341"> Hotspot capabilities ⓘ</div>

19. For these and other reasons, the Quebecois have ranked Videotron as their preferred telecommunications providers for 16 consecutive years. A press release from Videotron on the results of a reputation study by Léger is attached as **Annex 5**.

20. On the other hand, the other significant, new companies from the 2008 auction have all failed and were bought out by other telecommunication companies: Telus acquired Public Mobile

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in 2013; Rogers acquired Mobilicity in 2015; Shaw acquired Wind (which no longer belonged to Globalive) in 2016.

Pursuit of Videotron's investments in wireless activities

21. The growth of Videotron's wireless activities necessitated continuous investments in the spectrum and the network. Since 2008, Videotron has spent around [REDACTED] dollars in spectrum and invested around [REDACTED] dollars in its network infrastructure. These investments included the roll out of a long-term evolution network (LTE) in partnership with Rogers, which covers 94% of the population in Quebec and the greater Ottawa area. Today, Videotron is building a 5G network. The cost for this 5G network includes [REDACTED] dollars spent for the 3.5 GHz band spectrum in Quebec. The current assets of the network and Videotron's growth plans are described in more detail in Mr. Drif's statement.

22. Parallel to its financial investments, Videotron has also invested in new offers of innovative products. In 2010, Videotron became the first Canadian operator to offer unlimited calls with its plan Infinite Quebec. More recently, within the framework of its culture of innovation, Videotron launched ZEN, the only mobile plan on the market to offer 100 Go of added data without slowing down.

23. In 2018, Videotron launched Fizz, a new mobile brand and all-digital internet. Videotron reckons that Fizz is the first all-digital mobile brand in the world. Customers of Fizz can customize their plan by selecting each element (for instance, voice, text messaging, data and messaging services) online and can modify them at any time. Fizz targets customers who are worried about prices and are comfortable with an all-digital experience, like Generation Y and Generation Z. Offering an all-digital experience without a store or a permanent booth, Fizz is in a position to offer

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very low prices and thus has had great success with [REDACTED] customers and [REDACTED] internet customers on August 31, 2022.

Videotron's interest in national expansion of wireless services

24. Videotron has been studying the Canadian wireless market since 2008 in anticipation of potentially growing its business to the national level, subject to favorable financial and regulatory conditions.

25. On January 13, 2014, Wind announced that it would not participate in the spectrum auction for 700 MHz band, before rolling out from January 14 to February 13, 2014, because its main investor had decided not to finance other spectrum purchases. So, Videotron has seen an opportunity to buy the spectrum in the ROC and to grow at the national level by acquiring Wind, alone or with a partner. With this potential opportunity for growth in mind, Videotron acquires 700 MHz licenses covering certain parts of southern Ontario, Alberta and British Columbia.

26. During the course of the year 2014, Videotron discussed acquiring Wind with various financial partners, but no agreement materialized. On September 16, 2014, West Face Capital Inc., at the head of a consortium of buyers, acquired Wind for around 300 million dollars. You will find a newspaper article about the acquisition of Wind by West Face Capital attached as **Annex 6**.

27. Videotron continued to discuss different, potential partnerships with the new owners of Wind, but the parties were unable to reach an agreement.

28. In the fall of 2015, it became clear to Videotron that it would not be in a position to acquire Wind. So, in September 2015, Videotron announced that it could sell its licenses outside of Quebec, which were acquired during the 2008 and 2014 auctions. A newspaper article about the possible sale of its unused spectrum is attached as **Annex 7**.

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29. On December 15, 2015, Shaw announced that it had accepted to acquire Wind for around 1.6 billion dollars. A newspaper article about the acquisition of Wind by Shaw is attached as **Annex**

8. [REDACTED]

[REDACTED] Shaw acquired Wind in 2016 and renamed it Freedom Mobile.

30. In 2017, Videotron assigned a part of its 700 MHz licenses from the 2014 auction to Shaw and a part of the licenses from the 2008 auction to Rogers. Then, it invested the proceeds into its wireless network in Quebec.

31. Even after having assigned its licenses for outside of Quebec, Videotron continued to explore some opportunities outside of Quebec and eastern Ontario.

32. In 2020, Videotron considered various, potential expansion strategies [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Videotron's reaction to the Rogers-Shaw transaction

35. At the beginning of 2021, Videotron was at a crossroads. Videotron was still confined to its territory in Quebec and eastern Ontario. It desired to expand into the ROC, but the means of doing so were uncertain.

36. The Canadian Radio-television and Telecommunications Commission (**CRTC**) was on the verge of publishing its policy on MVNO. Videotron quickly recognized that the policy could support its national expansion by enabling it to operate on the wireless network of the Three Carriers. The question of knowing if the MVNO model could be profitable largely depended on the future policy. At that very time, another spectrum auction was approaching and Videotron had to decide whether it should submit a tender for the spectrum only in Quebec or also in the ROC. The first option meant remaining a regional operator with the opportunities of limited growth. The second option, which was riskier, involved the promise of fulfilling Videotron's long-term objective of becoming a real national operator.

37. As Mr. Lescadres described in his statement, the management was contemplating various options at that time. Personally, I was convinced of the necessity of an expansion because I considered that to be important for Videotron's long-term growth and its competitiveness with the Three Carriers, all of which have national networks.

38. When Rogers and Shaw announced their transaction on March 15, 2021, Videotron saw an opportunity similar to that which it had identified in 2014 when Wind withdrew from the 700 MHz auction. As Mr. Lescadres described in his statement, Videotron determined that Rogers would have to sell its assets within the framework of its acquisition of Shaw, including all the wireless

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assets. So, Videotron sees in that an opportunity to acquire the assets that will serve as a basis for national expansion that it had been researching for such a long time.

39. Videotron's interest in Shaw's wireless assets was such that on May 3, 2021, only six weeks after Rogers and Shaw had announced their transaction, I [REDACTED]

40. Parallel to the evaluation for acquiring Freedom, as described by Mr. Lescadres, Videotron contemplated and continues to evaluate operating as an MVNO in the ROC. In August 2021, I incidentally wrote to the Three Carriers to express Videotron's interest in operating as an MVNO on their networks. My correspondence is attached as **Annex 12**.

41. As Mr. Lescadres described it, today, the surest path for Videotron towards expansion in the ROC is its plan to acquire Freedom.

Videotron's plans as fourth national provider of wireless services

42. I firmly believe that affordable wireless services are essential to ensure the competitiveness and productivity of the Canadian economy. Videotron has shown that efficient competition can lower wireless service prices. Videotron desires to reproduce this result all across Canada, where Canadians pay much higher prices for wireless services than the Quebecois do. Given the numerous false starts since 2008, the plan to acquire Freedom by Videotron represents the best—and possibly the only—opportunity to attain this objective. A statement that I made, published on July 18, 2022, about comments formulated in an opinion piece in The Globe and Mail on Videotron's ability to compete efficiently at the national level is attached here as **Annex 13**.

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43. Mr. Lescadres describes in detail Videotron's business plan and I will not repeat it here. However, from the standpoint of strategy, Videotron sees its acquisition of Freedom as a major change for the industry. This acquisition will provide Videotron with the scope necessary to become the fourth national provider of wireless services in Canada and to offer the ROC competitive prices which only the Quebecois have benefitted from thus far.

44. As Mr. Lescadres describes it,

- (a) the terms of the acquisition offered to Freedom by Videotron provide Videotron with all the assets which it will need to compete efficiently as a wireless service provider in Freedom's territory; and
- (b) the price that Videotron obtained for Freedom's assets following aggressive negotiations allow it to be competitive in the long-term.

45. Demonstrating more of Videotron's commitment to compete with the Three Carriers at the national level, on July 20, 2022, Videotron acquired VMedia Inc. (**VMedia**). VMedia provides service for internet, television, residential phone and residential security within the scope of the system of Third Party Internet Access (**TPIA**), regulated by the CRTC. As described in more detail in Mr. Lescadres' statement, VMedia's technology and the existing TPIA agreements give Videotron the immediate capacity to offer internet and television services throughout Canada separately and combined with wireless services that it will be in a position to offer after having acquired Freedom.

46. The acquisition of VMedia is an important, strategic addition to the wireless services that Videotron will offer in the ROC through Freedom. Anticipating that Videotron would have the opportunity to buy Freedom, Videotron has acquired VMedia especially to be able to pair

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VMedia's services with those offered by Freedom.

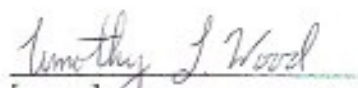
47. Over time, Videotron expects a growth of its clientele that will justify other investments in the wireless and wired infrastructure outside of Quebec. From Videotron's perspective, acquiring Freedom is only the start of its growth as the fourth viable and efficient national provider.

48. As the majority shareholder of Quebecor, I am personally committed to Videotron's growth, its acquisition of Freedom, the investments that Videotron will make in Freedom and the benefits that Videotron's national competition will provide to Canadians.

[signature] [hw:] 09/23/22

Pierre Karl Péladeau

I, Mr. Timothy L. Wood, hereby certify that I am competent to translate from French to English and that the attached translation is, to the best of my knowledge and belief, a true and accurate translation of the document entitled "Witness Statement of Pierre Karl Peladeau dated September 09, 2022" from French to English.


[name]

Sworn to before me this
[DATE] 10/10/2022


Signature, Notary Public



Stamp, Notary Public