COMPETITION TRIBUNAL
TRIBUNAL DE LA CONCURRENCE

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CT- 2022-002

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PUBLIC

CT-2022-002

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34;

AND IN THE MATTER OF the proposed acquisition by Rogers Communications Inc. of Shaw Communications Inc.; and

AND IN THE MATTER OF an application by the Commissioner of Competition for one or more orders pursuant to section 92 of the *Competition Act*.

B E T W E E N:

COMMISSIONER OF COMPETITION

Applicant

- and -

ROGERS COMMUNICATIONS INC. AND SHAW COMMUNICATIONS INC.

Respondents

- and -

THE ATTORNEY GENERAL OF ALBERTA and VIDEOTRON LTD.

Interveners

RESPONDING WITNESS STATEMENT OF DEAN PREVOST

I, Dean Prevost, from the City of Calgary in the Province of Alberta, STATE AS FOLLOWS:

1. I am the President of Integration at Rogers Communications Inc. ("**Rogers**"), and previously affirmed a witness statement in this proceeding on September 23, 2022 (my "**Affirmative Witness Statement**"). Capitalized terms in this witness statement have the same meaning as in my Affirmative Witness Statement.

2. I understand that, on September 23, 2022, the Commissioner served a list of documents on which it seeks to rely at trial without further proof (the "**Commissioner's List**"), some of which were produced by Rogers. While I have not reviewed every such document in detail, much of this witness statement will add necessary context around some of the documents.

3. The documents in the Commissioner's List should be understood in their full context and not read in isolation from other related documents. They should also be considered in relation to the full scope of evidence that has (or will) be adduced in this proceeding.

4. The Commissioner's List is also an incomplete catalogue of the documents relevant to this proceeding, and even when taken together, do not give an accurate picture of the wireless services market and Rogers' competitive strategy. I address some of the documents selectively omitted from the Commissioner's List below.

5. In preparing this witness statement, I have consulted with various Rogers employees and executives, and reviewed a number of documents prepared in the ordinary course of business, of the kind I rely on in carrying out my day-to-day responsibilities. I have also relied upon my own knowledge of Rogers as an organization, and my over 25 years' experience in the telecommunications industry.

I. Documents in Draft

6. A number of documents in the Commissioner's List are drafts or works-in-progress, with no final version included in that list. For some, it is not clear if the document was ever finalized or completed at all. By way of example:

(a) attached as **Exhibit 1** is a presentation titled [redacted] I am not aware that this presentation was ever given to the Board. In my experience, a draft document like this would not have been presented to the Board in this form or used as the basis for decision-making;

(b) attached as **Exhibit 2** is a draft memorandum titled [redacted]

[redacted] In my experience, Rogers executives never send memoranda to the Board of Directors in draft form. Also, given the rapid pace of technological advances, I expect that much of this memorandum is now out-of-date;

(c) attached as **Exhibit 3** is a slide deck titled [redacted]. This slide deck appears to be in draft form because it contains several pieces of missing information (most notably, at slides 6, 7, 10, 11 and 13). It is not clear from this document who prepared this slide deck, for what purpose, whether it was ever finalized, and if so, who the audience was.

7. Drafts and incomplete versions of documents should not be taken as reflecting a final, developed analysis of the subject matter in question, either on the part of the draft's author or on the part of Rogers as an organization. Slide decks, reports and other deliverables often go through multiple rounds of review, during which sometimes significant changes are made. Moreover, as noted above, documents in draft form are almost never circulated among the ELT or to the Board of Directors. In my experience, Rogers executives almost never rely on incomplete or draft documents when making strategic decisions in the ordinary course.

II. COMPETITIVE DYNAMICS IN THE WIRELESS SERVICES MARKET

8. Several Rogers documents in the Commissioner's List discuss past competitive dynamics in the Canadian wireless services market. Given the evolution of competition among wireless carriers, as well as the speed of technological advances, many point-in-time analyses are no longer relevant and do not present an accurate picture of wireless competition as it exists today. For example:

(a) Attached as **Exhibit 4** is a draft slide deck titled [redacted]. The Commissioner did not include a final version of this document in his List. I was on the ELT in 2017, but do not recall it having been presented at that level;

(b) A similar slide deck, [redacted]", is attached as **Exhibit 5**. Slide 6 makes reference to [redacted]; and

(c) A document attached as **Exhibit 6** is a memorandum [redacted] It is titled [redacted] and discusses [redacted]

9. These documents are now out-of-date by over five years. Importantly, they pre-date the introduction of unlimited wireless data plans, which Rogers was the first to roll out in Canada under the "Infinite" brand. As shown in the slide attached as **Exhibit 7**, [redacted]

10. [redacted] In 2019, Rogers' then-President of Wireless, Brent Johnston, delivered a presentation to the executive leadership team titled [redacted]

11. Rogers began offering its Infinite plans around the time Mr. Johnston delivered this presentation, and the impact of these plans was immediate. For example:

(a) during an investor conference call regarding Rogers' Q2 2019 results, Mr. Natale explained that customers on these plans are "using 50% more data". A transcript from this call is attached as **Exhibit 9**.

(b) the growth in data usage following the introduction of Rogers' Infinite plans is also set out in the slide deck attached as **Exhibit 10**. Slide 5 observes that "Usage on Infinite has grown by [redacted]%, while bucket size has grown by [redacted]%"; and

(c) likewise, a presentation titled [redacted]. A copy of this presentation is attached as **Exhibit 11**.

12. Attached is a slide deck titled [redacted], that discusses [redacted] A copy of this slide deck is attached as **Exhibit 12**.

13. The Commissioner's List is omits important Rogers documents that analyze more recent wireless market dynamics. For example, attached as **Exhibit 13** is a presentation titled [redacted], by [redacted] It therefore provides a much more current view of the trends affecting wireless in Canada. [redacted]

14. This document provides a more up-to-date analysis from Rogers of the current trends affecting the wireless services market than those prepared in 2017, prior to the introduction of unlimited plans and 5G networks.

III. SLIDE DECKS/DOCUMENTS ANALYZING FREEDOM'S COMPETITIVENESS IN WIRELESS

15. Various documents in the Commissioner's List contain comments from Rogers' team members about Freedom and its promotional activities. Many are relevant only to particular promotional events or contain analyses that are specific to a point-in-time. Some are prepared by relatively junior members of Rogers' wireless team and do not reflect the views of the ELT.

16. A number of the documents in the Competitor's List also present Freedom as Rogers' main competitor in the wireless services market. As I explained in my Affirmative Witness Statement, Rogers competes most closely with Bell and Telus across all provincial markets. Conversely, Freedom only offers wireless services in British Columbia, Alberta and Ontario. As I explained in paragraph 41 of my Affirmative Witness Statement, Freedom features to a much lesser degree in Rogers' regular competitive intelligence reports because its network footprint represents a smaller portion of the national wireless market.

17. Finally, Rogers documents in the Commissioner's List that discuss Freedom's competitiveness were prepared prior to the Transaction—and therefore do not consider the competitive incentives Freedom will have following its sale to Videotron. For example, attached as **Exhibit 14** is a presentation titled [redacted]
Importantly, this presentation was developed by a team within Rogers that had no knowledge or insight into steps being taken to sell Freedom. This document was omitted from the Commissioner's List.

[redacted]

18. Videotron's competitiveness was also noted in a slide deck titled [redacted] which was omitted from the Commissioner's List as well. A copy of this slide deck is attached as **Exhibit 15**. Slide 2 notes that [redacted]

19. [redacted]

20. [redacted]

IV. <u>PROMOTIONAL ACTIVITIES AND WIN-BACK OFFERS</u>

21. The Commissioner's List contains various documents about specific, one-time promotional events and activities that took place among wireless carriers, including Freedom.

22. Promotional events are standard practice in the wireless industry (as they are in many others). They occur when a carrier decides to temporarily reduce its pricing in an attempt to generate interest and increase subscribership. It is a competitive strategy that focusses on price in priority to other dimensions, including network coverage, customer service and device availability.

23. Sometimes, competitors will respond to promotional events by launching a similar promotion, or launch a "win-back" offer for recently-departed subscribers. This is part of the vigorous competition for wireless subscribers that I discussed in my Affirmative Witness Statement.

24. Promotions can sometimes assist a carrier in gaining subscribers or growing revenue within in a particular market segment, but they generally do not have any appreciable long-term effects in the market. Moreover, lengthy deviations from ordinary pricing structures—which incorporate in the cost of future network investments and various other expenses associated with running a viable wireless business—are not sustainable in the long-term.

25. By way of example, in October 2017, Freedom launched its "Big Gig" promotion, offering subscribers 10GB of data for $60 per month. This promotion had a price-per-GB lower than what was offered at the time by Bell and Telus, but on a significantly smaller network.

26. The Big Gig event was launched shortly before the Black Friday season, which is a time of significant promotional activity for all wireless carriers. Several weeks after Freedom introduced its Big Gig offer, Rogers launched a similar $60/10GB promotion in Alberta and British Columbia on December 14, 2017, which is the last weekend before the end of the holiday shopping season and an important weekend in all carriers' sales schedule.

27. Bell and Telus announced similar promotions shortly thereafter, and these offers were eventually extended to subscribers in Ontario as well. Freedom further decreased its offer to $50/10GB.

28. [redacted]

29. By December 18, 2017, the promotions in came to an end. Attached as **Exhibit 18** is a slide deck titled [redacted] which shows that [redacted] Likewise, the slide at **Exhibit 7** shows that [redacted]

30. The Big Gig event coincided with Freedom's introduction of the iPhone in November 2017. [redacted]

31. Freedom has now had the iPhone for over five years, [redacted]

32. [redacted]

33. In November 2018—again during the Black Friday holiday season—Freedom launched its "Big Binge Bonus" event, offering new customers an additional 100GB for free over the course of a two-year plan. [redacted]

34. [redacted]

V. INTEGRATION DOCUMENTS & SHAW GO WI-FI

35. Many of the document in the Commissioner's List concern Rogers' integration plans with Shaw, including from the IMO.

36. Rogers' integration plans have evolved considerably over the past year and a half. Many early-stage integration documents included in the Commissioner's List are now out-of-date and do not accurately reflect Rogers' current integration plans. Many of the most relevant documents setting out Rogers' current integration plans were attached to my Affirmative Witness Statement and the Witness Statement of Marisa Fabiano, also affirmed on September 23, 2022.

37. Among other things, Rogers' understanding of the Go Wi-Fi network has evolved considerably during this process. Although early statements in documents included in the

Commissioner's List suggest some advantages to the Go Wi-Fi network in the deployment of small cells, Rogers' current understanding of this is as set out in my Affirmative Witness Statement at paras. 111-117.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

VI. SHAW MOBILE

41. Shaw Mobile launched in July 2020. Early on, Rogers understood [redacted] For example:

(a) attached as **Exhibit 27** is a presentation that [redacted]

(b) attached as **Exhibit 28** is a slide deck titled [redacted]; and

(c) attached as **Exhibit 29** is an email exchange between [redacted]

42. When it first launched, Rogers monitored Shaw Mobile's entry into the wireless services market. A number of documents in the Commissioner's List contains statements made by certain Rogers employees, some of which I addressed in my Affirmative Witness Statement. It is important that these documents be understood in their proper context and in light of the reason for which they were prepared. For example:

(a) attached as **Exhibit 30** contains a meeting invite for a [redacted]

(b) an email chain with the subject line [redacted]

(c) certain documents suggest that the competition between Shaw and Telus has [redacted]

[redacted]

(d) in an email exchange [redacted] The report itself is not included in the Commissioner's List, and it is unclear whether it concerns corporate subscribers (as opposed to consumer subscribers). Regardless, this reaction is to [redacted]. A copy of this email is attached as **Exhibit 36**;

43. As I noted in my Affirmative Witness Statement, Rogers' appreciation of Shaw Mobile changed after it had the chance to further review and better understand its competitive impact with a greater amount of data. Attached as **Exhibit 37** is a slide deck titled [redacted] dated [redacted]. It explains that [redacted]. This document was not included in the Commissioner's List.

VII. Post-Integration Plans for Shaw Mobile

44. Several documents in the Commissioner's List deal with Rogers' strategies relating to converged or bundled plans, including in relation to Shaw Mobile. As with the integration,

Rogers' post-Transaction plan for Shaw Mobile has evolved considerably and early-stage documents do not necessarily reflect Rogers' current plans.

45. Attached as **Exhibit 38** is a draft presentation from the IMO titled [redacted] prepared in September 2021. [redacted]

47. This presentation, and others like it, highlight that Rogers will be subject to at least the same competitive pressure on wireline from Telus as Shaw was prior to the Transaction. Rogers will also compete with the new Videotron-owned Freedom in British Columbia, Alberta and Ontario, with the benefit of the access rights provided for in the Videotron Definitive Agreement.

48. [redacted]

(a) [redacted]

(b) [redacted]

49. [redacted]

VIII. Project Atlas

50. Certain documents in the Commissioner's List concern [redacted] which was a project aimed at [redacted]

51. [redacted]

IX. CCTS COMPLAINTS

52. A number of documents in the Commissioner's List concern metrics and other measures of complaints to the Commission for Complaints for Telecom-television Services (the "**CCTS**"). The CCTS is an independent, industry-funded organization created by the CRTC to resolve consumer complaints regarding telecommunications or television services in an informal manner.

53. While the number and nature of CCTS complaints can provide insight into the strength and deficiencies of a carrier's services, it is only one (imperfect) indicator among many. This is because the number of complaints represents a very small fraction of Rogers' total subscribers.

54. Based on my experience with Rogers and with other telecommunications companies, other third party testing and benchmarking firms provide reliable and independent metrics on the speed and reliability of a wireless network. These include Ookla and Umlaut, both of which put out reports and network test results that Rogers tracks on a regular basis in the ordinary course. [redacted]

X. WIRELINE NETWORK

55. Among the documents in the Commissioner's List is a slide deck titled [redacted], a copy of which is attached as **Exhibit 41**. This document was prepared over five years ago for Rogers' Enterprise Business Unit (the "**EBU**"). It speaks to [redacted]

56. Slide 26 of this presentation states that [redacted]. This should be understood in its proper context. The first half of this slide speaks to the [redacted] (emphasis added), in order to [redacted] and [redacted] As I explained at paras. 30-34 of my Affirmative Witness Statement, carriers can secure fibre access *via* ownership, IRUs or leased capacity—all of which is standard and common in the industry.

57. The second half of this slide sets out Rogers' strategy, which is focussed on [redacted] Many carriers have been successful in this space without ownership. For example, Rogers leases wireline assets for backhaul in Western Canada and in Quebec (including from Videotron), Freedom leases wireline backhaul in Ontario (including from Rogers), and T-Mobile—an American carrier—has become a major player in that market without any wireline assets at all.

XI. <u>ROGERS' PROVISION OF TPIA SERVICES</u>

58. Attached as **Exhibit 42** is a slide deck titled [redacted] It addresses the [redacted]

59. The suggestion in this slide deck of [redacted] conflicts with my understanding of Rogers' [redacted], a copy of which is attached as **Exhibit 44**. This email follows a discussion that I had with [redacted] This remains Rogers' approach to TPIA and I am not aware of any plans to offer off-tariff rates.

60. Attached as **Exhibit 45** is a slide deck titled [redacted]. This presentation concerns [redacted]

[redacted] which the CRTC authorized in Telecom Decision 2021-385—a copy of which is attached as **Exhibit 46**.

XII. Rogers and Videotron

61. [redacted]

62. [redacted]

(a) [redacted]

(b) [redacted]

(c) [redacted]

[redacted]

(d) [redacted]

63. Indeed, Videotron has developed into a highly successful facilities-based wireless competitor. [redacted]

XIII. Connected for Success

64. "Connected for Success" is a program through which Rogers provides high-speed, affordable internet and bundled services to over fifty thousand government assistance recipients.

This program is currently offered to subscribers within Rogers' wireline footprint in Southern Ontario, New Brunswick and Newfoundland who meet the following eligibility criteria:

(a) seniors receiving federal Guaranteed Income Supplement benefits;

(b) recipients of provincial disability (*e.g.* Ontario Disability Support Program) and income support (*e.g.* Ontario Works);

(c) subscribers who qualify for ISED's "Connecting Families" program. Connecting Families is an ISED initiative that seeks to offer Canadians receiving maximum Guaranteed Income Supplement benefits or maximum Canada Child Benefit supports with affordable internet plans, at either $9.99 for a minimum of 10/1mbps speeds, or $19.99 for 50/5mbps speeds. Canadians who qualify for the Connecting Families program are automatically eligible for all Rogers' Connected for Success offerings;

(d) tenants in eligible rent-geared-to-income non-profit housing facilities;

(e) newcomers to Canada who are part of the federal Resettlement Assistance Program, at their permanent housing; or

(f) youth aging out of the child welfare system. Rogers is currently working with the Children's Aid Society to devise a formal approval process; at present, these subscribers are enrolled in the Connected for Success program on an *ad hoc* basis when referred by a youth or care worker.

65. Rogers significantly expanded these eligibility criteria in March 2021. Previously, the program was available only to rent-geared-to-income tenants of Rogers' non-profit partner organizations. As a result of Rogers' decision to expand program eligibility, over 750,000 Canadians now have access to this high-speed internet program at the substantially reduced prices set out below. All plans are offered with no activation, modem or installation fees. [redacted]

Download Speed	Connected for Success Pricing	Regular Pricing
25 mbps	$9.99	N/A
50 mbps	$14.99	$84.99
75 mbps	$24.99	N/A
150 mbps	$34.99	$104.99

66. Connected for Success pricing is not promotional in nature. Because the majority of participants are on fixed incomes, they pay the same monthly rate for their services for as long as they continue to qualify for this program, with no increases or overage fees. Participants are required to confirm their eligibility every two years. Rogers added low-cost television bundling to its Connected for Success offerings in August 2021.

[redacted]

[redacted]

70. If the Transaction is approved, Rogers plans to expand its Connected for Success program across Shaw's entire wireline footprint in Norther Ontario, British Columbia, Alberta, Saskatchewan and Manitoba. Rogers expects that this will bring low-cost internet prices to over [redacted] additional Canadians on various forms of government assistance. Rogers' plans to expand its wireline Connected for Success program throughout Shaw's footprint was announced together with the Arrangement Agreement, in Exhibit 27 to my Affirmative Witness Statement.

71. [redacted]

72. [redacted]

[redacted]

73. [redacted]

74. [redacted]

75. [redacted]

(a) [redacted]

(b) [redacted]

(c) [redacted]

76. [redacted]

XIV. BROADBAND SERVICE FOR RURAL, REMOTE, AND INDIGENOUS COMMUNITIES

77. When Rogers and Shaw publicly announced this transaction on March 15, 2021, the announcement included the following commitment by Rogers:

> Rogers will commit to establishing a new $1 billion Rogers Rural and Indigenous Connectivity Fund dedicated to connecting rural, remote and Indigenous communities across Western Canada to high-speed Internet and closing critical connectivity gaps faster for underserved areas.

78. As set out in my Affirmative Witness Statement, teams at Rogers and Shaw have since been working to identify suitable communities and that work is ongoing. [redacted]

79. [redacted]

80. [redacted]

XV. Additional Documents

81. As part of the integration planning, [redacted]

82. [redacted]

83. [redacted]

84. Attached as **Exhibit 56** is [redacted] Additionally, attached as **Exhibit 57** [redacted]

85. Other data collected by Rogers in the ordinary course relates to subscriber locations, cell sites, spectrum data, macro site backhaul costs, and financial KPIs. Some of this data is attached as **Exhibit 58**, **Exhibit 59**, **Exhibit 60**, and **Exhibit 61**.

86. Attached as **Exhibit 62** is a file produced in response to [redacted] Among other things, it records the average revenue per user for Rogers and Fido consumer postpaid wireless brands by region.

87. Attached as **Exhibit 63** is [redacted]

88. Attached as **Exhibit 64** is [redacted]

89. Attached as **Exhibit 65** is [redacted]

90. Attached as **Exhibit 66** is [redacted]

SWORN by Dean Prevost at the City of Calgary, in the Province of Alberta, before me on October 20, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

Commissioner for Taking Oaths
(or as may be)

JOHN CARLO MASTRANGELO

DEAN PREVOST

This is Exhibit “1” referred to in the Affidavit of Dean Prevost sworn by Dean Prevost at the City of Toronto, in the Province of Ontario, before me on October 20, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

Commissioner for Taking Affidavits (or as may be)

JOHN CARLO MASTRANGELO

REDACTED

PUBLIC

This is Exhibit “2” referred to in the Affidavit of Dean Prevost sworn by Dean Prevost at the City of Toronto, in the Province of Ontario, before me on October 20, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

Commissioner for Taking Affidavits (or as may be)

JOHN CARLO MASTRANGELO

REDACTED

This is Exhibit "3" referred to in the Affidavit of Dean Prevost sworn by Dean Prevost at the City of Toronto, in the Province of Ontario, before me on October 20, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

Commissioner for Taking Affidavits (or as may be)

JOHN CARLO MASTRANGELO

REDACTED

This is Exhibit “4” referred to in the Affidavit of Dean Prevost sworn by Dean Prevost at the City of Toronto, in the Province of Ontario, before me on October 20, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

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Commissioner for Taking Affidavits (or as may be)

JOHN CARLO MASTRANGELO

REDACTED

This is Exhibit "5" referred to in the Affidavit of Dean Prevost sworn by Dean Prevost at the City of Toronto, in the Province of Ontario, before me on October 20, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

Commissioner for Taking Affidavits (or as may be)

JOHN CARLO MASTRANGELO

REDACTED

PUBLIC

This is Exhibit "6" referred to in the Affidavit of Dean Prevost sworn by Dean Prevost at the City of Toronto, in the Province of Ontario, before me on October 20, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

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Commissioner for Taking Affidavits (or as may be)

JOHN CARLO MASTRANGELO

REDACTED

This is Exhibit “7” referred to in the Affidavit of Dean Prevost sworn by Dean Prevost at the City of Toronto, in the Province of Ontario, before me on October 20, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

Commissioner for Taking Affidavits (or as may be)

JOHN CARLO MASTRANGELO

REDACTED

This is Exhibit "8" referred to in the Affidavit of Dean Prevost sworn by Dean Prevost at the City of Toronto, in the Province of Ontario, before me on October 20, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

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Commissioner for Taking Affidavits (or as may be)

JOHN CARLO MASTRANGELO

REDACTED

This is Exhibit “9” referred to in the Affidavit of Dean Prevost sworn by Dean Prevost at the City of Toronto, in the Province of Ontario, before me on October 20, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

Commissioner for Taking Affidavits (or as may be)

JOHN CARLO MASTRANGELO

PUBLIC

Rogers Communications Inc.
Second Quarter 2019 Results
Conference Call Transcript

Date: July 23, 2019

Time: 8:00 AM ET

Speakers:

Joseph Natale
President and Chief Executive Officer

Tony Staffieri
Chief Financial Officer

Paul Carpino
Vice President, Investor Relations

Operator:
Welcome to the Rogers Communications Inc. Second Quarter 2019 Results Conference Call. As a reminder, all participants are in listen-only mode and the conference is being recorded. Following the presentation, we will conduct a question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star and zero.

I would now like to turn the conference over to Paul Carpino with Rogers Communications. Please go ahead, Mr. Carpino.

Paul Carpino:
Thank you, Ariel. Good morning, everyone, and thank you for joining us today. I'm here with our President and Chief Executive Officer, Joe Natale, and our Chief Financial Officer, Tony Staffieri.

Today's discussion will include estimates and other forward-looking information, from which our actual results could differ. Please review the cautionary language in today's earnings report and in our 2018 Annual Report regarding the various factors, assumptions and risks that could cause our actual results to differ.

With that, let me turn the call over to Joe.

Joseph Natale:
Thank you, Mr. Carpino. Good morning, everyone. Today, I'm pleased to share our results and our progress in the second quarter. Overall, it was a pivotal quarter for Rogers and the Canadian Wireless industry. We continued to deliver strong fundamentals, and it is from this position of strength that we introduced fundamental changes to our Wireless offering. We made these changes after a thorough and thoughtful analysis on where the industry is going and what matters most to our customers. Now, more than ever, customers want worry-free data. 5G is at our doorstep and we need to unlock and unleash customer demand for data. This is a bold and important step forward and I truly believe it is the right time to lean in and drive this industry direction.

We approached this change with three main objectives: number one, drive growth in data usage by delivering a worry-free proposition for customers; secondly, get ready for 5G by shifting the value proposition from capped data to focus on the quality and capability of the service, a necessary evolution and a key market construct to prepare Canada for 5G; thirdly, redefine industry economics around equipment financing and a better customer experience to drive affordability, reduce friction and reshape the subsidy model over time.

Overall, we believe a small moderation in short-term growth rates will yield sustainable, superior economics in the medium- and long-term. While it is still early days, the response has been overwhelmingly positive. Our customers and our front line team love the simple, easy pricing. Our national competitors saw the strategic merit of our move and followed our lead. Overall, this was the right move for our customers, our Company and our country.

I will share further details on our customer uptake in a few moments, but first let me turn to our overall second quarter results.

Overall, we continue to deliver strong, profitable growth. In Wireless, we saw strong growth in service revenue and Adjusted EBITDA. We attracted 77,000 postpaid net additions and we executed strong pricing discipline to attract the right customers with the best lifetime value. We grew blended ARPU by 2% and we delivered postpaid churn of 0.99% for the second consecutive quarter, reflecting our steadfast focus on the customer experience and customer base management. In Cable, we delivered solid growth in revenue, margin, Adjusted EBITDA and free cash flow, accompanied by strong Internet loading. We also continued to grow Internet penetration for the 16th consecutive quarter. On a consolidated basis, we grew revenue by 1% and Adjusted EBITDA by 9%. We returned over $300 million to shareholders through dividend payments and share repurchases in the second quarter, and we will return over $1 billion to shareholders this year.

As I said earlier, thanks to these robust fundamentals, we were able to introduce a number of strategic moves to put our customers first. We were the first national carrier to introduce unlimited data plans with no overage fees, and Canadians are responding; 365,000 subscribers are already on these new plans. When you look at our customers who migrated, roughly two-thirds upgraded their price plan, choosing to spend more, and one-third are spending less. Overall, these customers are using 50% more data. This is impressive growth in just six short weeks and it’s tracking favourably to our business case. Thanks to the simpler pricing construct and important digital investments, online transactions are up substantially and average handle time is down both in retail and care, a great reminder that customer experience and cost management do work hand-in-hand.

In addition, we were also first to introduce both 24- and 36-month device financing. We have made it instantly more affordable for Canadians to purchase the latest devices any day of the year at zero dollars and interest-free. In the first two weeks, between the two options, more than 50% are choosing the 36-month plan. It is clear customers value the longer-term payment plan, as it helps them purchase the latest devices on more affordable terms. These new financing options not only make Wireless services more affordable, but by separating the embedded subsidy, it is also more transparent. Overall, we believe this construct should improve device subsidy economics over the long term.

The team delivered these two critical customer-first initiatives flawlessly and I'm incredibly proud of their execution efforts. We're on a long-term journey to deliver the best possible experience to our customers and these were important moves, with more to come.

We also made significant headway on our 5G roadmap. We started to deploy 600 megahertz capable radio equipment and we'll start to deploy 600 megahertz spectrum later this year. As you recall, we secured 52 of 64 available licences of this precious resource in every single province and territory. This low frequency, wide area spectrum is foundational to our 5G roll-out starting next year.

Last month, we announced a partnership to open a new national centre for cybersecurity at Ryerson University. Last week, we announced the creation of a 5G innovation lab with Communitech in Waterloo. We also completed our first successful 5G test calls in Brampton, Toronto and Vancouver. 5G is unlike any other Wireless technology we have seen before, and that is why we need the right partnerships to bring the right economic use cases and the right applications to market. Working with Ericsson, a global 5G leader, we will lead and bring the very best of 5G to Canadians.

We also made strategic advances in Cable. I'm pleased to share we're making steady progress on Ignite TV. We expanded our service to Newfoundland and we will expand to New Brunswick later this summer. Over 160,000 customers, almost 10% of our base, are using the service, and we're on track to reach our subscriber target for the full year. We continue to see impressive results, including significantly improved early lifecycle churn, likelihood to recommend and average revenue per account. This innovative service has a great future roadmap for the connected home, and it rests on our leading, reliable broadband network, a network we continuously invest in and build on. Just last month, we introduced Ignite WiFi Hub to give customers more control over their WiFi experience, and we now monitor 2.5 million WiFi devices daily to ensure customers have a terrific in-home experience.

More broadly, I'm proud of our team's deep commitment to drive our customer's experience. Our multi-year program to drive improvement in channels is paying off. In the call centres, service levels are strong and first call resolution is improving at a healthy rate, and digital sales adoption is up almost 10% and online sales volume is up almost 50%. In Retail, we continue to modernize our in-store experience. Ultimately, this is all about serving our customers where and when they want.

Finally, I'm proud to share that our team achieved an employee engagement score of 85%, the highest in our Company's history, and five points above global best-in-class. We believe a high-performing culture is critical to our success and it is a sustainable competitive advantage.

In summary, our fundamentals are robust, we delivered strong growth across all the key value drivers of our business, we made significant headway in our strategic long-term plan. We have a strong Management Team and a strong front line team, along with the right strategy and the right priorities to lead and win. I'd like to thank our entire team for their incredible dedication and commitment.

With that, let me pass it over to Tony.

Tony Staffieri:
Thank you, Joe, and good morning, everyone. Rogers delivered solid Q2 results, reflecting strong quality loading in both Wireless and Internet subscribers, continued margin expansion, healthy service revenue gains and positive blended ARPU growth. As we have highlighted in previous quarters, our focus continues to be on balancing growth opportunities with sound economic returns to ensure we create long-term sustainable value for shareholders and customers alike.

In Wireless, we reported healthy service revenue growth of 3% and Adjusted EBITDA grew 10%. Wireless margins were 50.3%, an expansion of 380 basis points from last year, as a result of strong growth in Wireless service revenue, successful cost management and the impact of adopting IFRS 16. We continue to execute on our quality loading strategy and delivered 77,000 postpaid net subscriber additions. Contributing to the strong service revenue growth were increases in both blended ARPU and blended ABPU. Blended ARPU was up 2% and reflected our 13th consecutive quarter of year-on-year blended ARPU growth. ABPU was up 4% in the quarter.

As Joe noted, it’s early days with our Rogers Infinite plans, but we are pleased with the results to date. While Infinite had minimal impact in the second quarter, we are excited with the customer benefits and cost savings opportunities that these plans are expected to generate as we move into a 5G world. In addition to the value these plans provide our customers, we anticipate an ARPU and ABPU lift over time. Already, we are seeing our monthly recurring revenue being net higher for all those customers that have switched to our Infinite plans. Of course, this is impacting overage revenues, but at a rate that is shallower and faster than we anticipated. Operationally, we are already benefiting from the simplicity of these plans, as we are seeing fewer and shorter calls to our call centres and greater adoption of digital ordering. These types of benefits should drive greater efficiency in our Wireless business going forward. Importantly, both the revenue and cost saving improvements should be accretive to margin expansion and Adjusted EBITDA growth in the future.

Enhancing Rogers Infinite plans are newly introduced 24-month and 36-month consumer-friendly device financing programs. These simpler zero down, zero interest financing options now put total control in the hands of those customers interested in acquiring new devices and builds on the savings that all customers can access through the value embedded in our no overages and unlimited data plans. We currently spend over $2 billion each year on handsets, including significant subsidies that only benefit customers wanting new handsets. With reduced subsidies going forward, combined with eventual securitization of those financing receivables, this plan is expected to expand margins, be accretive to Adjusted EBITDA and drive stronger cash flow going forward.

Turning to Cable, we grew revenue by 1% this quarter and Adjusted EBITDA by 3%. Our Internet offering continues to be a key driver for our Cable business. Internet revenue grew 7% this quarter, reflecting the movement of Internet customers to higher speed and usage tiers, some service pricing changes and a larger Internet subscriber base. We remain uniquely positioned to meet customer demand for faster speeds and higher data with our ability to offer Ignite gigabyte Internet across our entire Cable footprint.

In Q2, we reported 22,000 net Internet subscriber additions. This reflects the 16th consecutive quarter of increasing Internet penetration rates. In addition, Internet ARPU grew compared to the prior year quarter. We also expanded Cable margins by 130 basis points this quarter, due to continued focus on efficiencies and product mix shift to higher margin Internet. Importantly, we again made good strides in reducing our CapEx intensity in Cable down to 29%. Combined with our EBITDA margin expansion in the quarter, our cash margin for Cable expanded to 19% this quarter, from 11% last year, good progress towards our goal of 25% cash margin by the end of 2021.

Moving to Media, revenue was 3% lower, largely as a result of the sale of our publishing business in the second quarter and lower revenue from the Toronto Blue Jays. This was partially offset by higher subscription and advertising revenue generated by our Sportsnet properties. Media EBITDA was strong, up 20%, driven by efficiencies and lower Toronto Blue Jays salaries.

On a consolidated basis, we delivered total revenue growth of 1% and strong Adjusted EBITDA growth of 9%. We invested $742 million in CapEx for the quarter, which increased 13% year-over-year. The increases in capital expenditures in Wireless this quarter are a result of the ongoing investments being made to augment our networks as we continue to drive towards a 5G world. Capital intensity was a bit higher this quarter, driven by both the timing of our investments, as well as lower revenue in our hardware sales.

With respect to cash flow and returning capital to shareholders, we generated free cash flow of $609 million this quarter, an increase of 2%. The increase this quarter was a result of higher Adjusted EBITDA, partially offset by higher planned capital expenditures and higher cash income tax payments in the quarter. We do, however, anticipate our cash tax rate to be in the 6% range for Fiscal 2019 as a percent of Adjusted EBITDA, compared to our full year 2018 cash tax rate of 8.2%. During the quarter, we continued to demonstrate our commitment to returning cash to shareholders through dividend payments of $257 million and repurchasing $50 million in Class B non-voting shares.

Our debt leverage ratio at the end of Q2 was 3.0 times, reflecting a 50-basis-point increase, compared to the end of 2018. IFRS 16 lease accounting drove 20 basis points of the increase and the completion of 600 megahertz spectrum purchase added 30 basis points. With a healthy business and strong free cash flow, we expect to continue reducing our leverage, moving closer to 2.5 times in the future.

We had liquidity of $2.6 billion at the end of the quarter and have solid investment grade credit ratings with a stable outlook. Additionally, our balance sheet is well positioned with long-term maturities and low interest rates on our outstanding debt.

In summary, we're very pleased with our Q2 results and the long-term outlook for Rogers. We remain laser-focused on effectively managing our base business, driving greater efficiency throughout the operations, improving the customer experience, and ensuring our growth is underpinned by sound economic fundamentals.

With that, I'll ask the Operator to open the lines for questions.

Operator:
Thank you. We will now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two.

Our first question comes from David Barden of Bank of America Merrill Lynch.

David Barden:
Hey, guys, thanks for taking the questions. I guess first, just if I could get a little clarification. Tony, I think you said in your—sorry, Joe, in your prepared remarks that we should expect short-term moderation in growth with respect to the Infinite plan, but then you shared some stats that roughly two-thirds of the customers who were adopting the plan thus far are spending more. I'm just trying to understand, the next couple quarters, are we expecting growth to slow down or is this actually going to help, from kind of a cadence standpoint, over the course of the next couple quarters?

Then, second, I think you highlighted that about 10% of the base has now the new Ignite TV program. I was wondering if you could kind of elaborate a little bit about kind of what the goals and the shape of that are in terms of expectations for the rest of the year and into next. Thank you.

Joseph Natale:

Hi, David. Thank you. Why don't I start, Tony, and then you can chip in. When you look at the two-thirds that upgraded to the plans, versus the one-third, and you do the sort of monthly service revenue math on that, we're seeing a net positive, a net positive monthly service revenue. The moderation of overage—and we said last time we've been having meetings, that overage for Rogers is less than 5%. The overage over time will diminish and, therefore, moderate our growth rates as a whole, and that's exactly what we're seeing. We're still seeing a healthy, vibrant Wireless market with penetration growth opportunities, with data growth opportunities, and we think we've picked a good price point with respect to these unlimited plans, and we think that will just serve in the medium to long term to drive sustainable growth in the business as a whole. In the short term, we'll see some moderation.

Tony, feel free to comment on that specifically, if you like.

Tony Staffieri:
Sure, to put a finer point on it, David. You saw in the second quarter service revenue growth of 3%, and as Joe said, the recurring MRC is coming in quite nicely on a positive basis. It's the overage piece that, as you would expect, and we expected, some of that to melt. It's not as much as we thought. More of it, in terms of subscribers, but that's in our opening remarks, we said it was shallower than we expected. That 3%, you can expect a slight moderation of that growth rate in the back half of the year on service revenue, but, again, it's only six weeks into the plan, and so, as best as we can estimate it, that's what we're seeing. For the rest of the year, we don't expect it to be a material impact to our Wireless service revenue.

Joseph Natale:
We think we've picked the right balancing point for the future health of the business and the ability to make the shift and pivot it with the right economics, and we're very pleased with the results so far. Early days, but very pleased so far.

On your question around Ignite TV, our goal is to migrate the entire base over the next couple of years. We're taking a thoughtful approach and doing it steadily quarter-by-quarter. We're seeing good resultant economics of customers that do move. As I said earlier, it shows up in better churn, it shows up in higher ARPU and, most importantly, it shows up in very strong likelihood to recommend the service, as a whole. One thing we're making sure is that we do it in a manner that's not stirring our base and we just do it in a manner that is thoughtful and at a pace that makes sense overall. Over the course of the next couple years, we should be completing the migration.

David Barden:

Thank you. Just as quick follow-up, you called out the kind of expansion of Ignite TV as kind of a contributor to the higher Cable CapEx this year. Is that going to plan? The trajectory in Cable CapEx intensity seems to be falling rather than rising. Is there anything to talk about there?

Tony Staffieri:

What we're seeing, David, quite frankly, is very good unit cost efficiencies that are driving that Cable capital intensity down. We are getting the migrations from legacy to Ignite that we expected. The unit costs on a per-home basis are at and, in fact, slightly better than we anticipated. We've talked about a legacy home costing us upwards of $1,100 and the new Ignite platform at under $400, and falling, and so that's coming in as expected, but on top of that, what we're seeing is efficiency improvements in our node segmentation program, as well as efficiency improvements in our truck rolls and installation rates. That's what you see coming through. We do see it as sustainable declines in our Cable capital intensity.

David Barden:

Great. Thanks, guys.

Paul Carpino:

Thanks, David. Next question, Ariel.

Operator:

Our next question comes from Vince Valentini of TD Securities.

Vince Valentini:

Thanks very much. Let's stick with that last point first. I believe in your original guidance in January you were talking about Cable CapEx intensity not really declining much from the sort of low-30s percent last year. You're now at 29% year-to-date and you're saying it's kind of sustainable. Can I read into that that Cable CapEx may be coming in a bit below what you thought originally, Tony, but on the flip side, it looks like your Wireless CapEx, potentially on the 5G side, is ramping up, so total CapEx is still where you thought, but it's a bit of shift from Cable into Wireless?

Tony Staffieri:

Let me clarify a few of those points. On Cable CapEx, yes, we do think it's sustainable. As you look to the back half of the year, our expectation is it will continue to sit around 29% to 30%, so below what we originally thought. On the Wireless side, the uptick that you saw in the second quarter was really as a result of timing, and so we don't see it necessarily transcending to the back half of the year. On a total basis, our CapEx may come in slightly below or in the lower range that we provided in guidance.

Vince Valentini:

That's very clear, thank you. Just back on the unlimited trends, and so forth, can I clarify it a different way? The 365,000, and I'm not 100% sure on that, I think that's as of basically now or in the last couple of days, or is that as of the end of Q2?

Tony Staffieri:

As of, like, yesterday, Vince.

Vince Valentini:

Okay, and is that virtually all migrations or does that include a lot of new gross adds coming in on those plans, as well?

Tony Staffieri:

It's a combination of migrations and new customers.

Vince Valentini:

Can you characterize that at all, would it be mostly migrations or …

Tony Staffieri:

No, it's as expected. We're not getting into the specifics of it, but it's as expected. It's been a great attraction for new customers, and also a good opportunity for existing customers, so we're happy with that balance overall.

Vince Valentini:

Okay, and last on that …

Tony Staffieri:

The thing to bear in mind is we're really happy to see the positive ARPU that we're getting from the monthly revenue, and as we kind of wade our way through the overage, we think there's goodness on the other end. Bear in mind that, as I said earlier, overage is less than 5%, and if you were to do a full economic analysis on that small piece of revenue, on the entire business, a full economic analysis around what is the extent to which we speak to those customers, our negotiating that overage number, our dealing with it on their bill, our having follow-up conversations with them, our issuing credits, our driving a propensity to churn around it, it is, in some ways, revenue with no real economic outcome. Weaning ourselves off that revenue and driving the goodness around unlimited plans, given the positive ARPU we're seeing so far, early days, we think is the right formula for the business moving forward. You think about the fact that we have some of the lowest data growth rates globally, right? That's not sustainable. That's not an environment where we're going to head into 5G, where customers are afraid of using data. I mean, it all kind of hangs together from that perspective, Vince.

Vince Valentini:

I fully appreciate that, and you kind of segued my last question. In terms of those cost reductions and the benefits you see, is it fair to say, even though you may be seeing a slight moderation in service revenue growth for the back half of the year, that you can fully make up for that at the EBITDA line with various cost initiatives? Whatever your guidance was before or consensus was before, you're still comfortable with?

Tony Staffieri:

That's right, Vince, and I think you said it well. Notwithstanding some of the, as you would expect, forecasting an estimation that we're going through on the revenue side, what we do know with a higher degree of certainty are the cost reductions are coming in. First and foremost, the subsidy changes have been implemented, and you see that when you look at our websites and how the cost of the device is factored into the 24- and 36-month periods, as well as on the subsidized plans, you see some moderation in the subsidies there on the Fido brand. That's already started to happen. But, as Joe said, in terms of average handling time on a call, we're seeing very good reduction, and there are other pieces of it that we had talked about, customers coming in on autopay, e-bill, and, again, while it's early days, that's coming in nicely, as well. On a net-net basis, what we do have good line of sight to is a strong impact to EBITDA and free cash flow.

Vince Valentini:
Thank you.

Paul Carpino:
Thanks, Vince. Next question, Ariel.

Operator:
Our next question comes from Maher Yagi of Desjardins.

Maher Yagi:
Thanks for taking my question. I just wanted to go maybe a little bit bigger picture on the health of the Wireless market in general. When I look at your gross adds, still down year-on-year, but half of the decline that we saw in the first quarter. Can you talk a little bit, Joe, about the overall Wireless postpaid market, how is it changing, shifting with introduction of these unlimited plans, and your competitive positioning in the market?

Joseph Natale:
Sure. Thanks, Maher. Overall, we're still very bullish about the growth opportunity in the Wireless market. The circumstances around that have not changed. Penetration opportunity in Canada is still very strong at 87% penetration, on the road to similar to the U.S., 120% penetration. That penetration gain is still available to us. We're seeing, and modeling in our forecast, overall subscribers growing at about 4.5% for the year, end of period to end of period. We're still seeing that kind of growth and believing it's there for the taking.
I would say to you that the first part of the year, Q1, was quiet, and we talked about it on the last call, but we saw the market wake up about halfway through Q2, and it's been active and strong ever since. Bear in mind that we're still in the early part of the year. Despite half of the calendar year having gone by, two-thirds of the volume of our industry happens in the second half of the year, between all the various Black Friday, back-to-school, etc.

We think that some of the affordability options that we've introduced will help to stimulate that growth opportunity, and that's part of the thinking behind Infinite and behind device financing. We're very pleased with what we're seeing around the 36-month plans already. Clearly, Canadians have spoken and have said, "You know what? We love the choice between 24 and 36 months. We love the affordability options." In six weeks, we've seen more than half of our customers, more than half of the 365,000 customers who have chosen the Infinite plans—or the ones who have gone on financing have chosen 36 months as a whole, right? That's an impressive start to equipment financing, and more to come.

On a macro perspective, some of our view was to unlock the future growth potential. We had to do two important things. One is take away the fear and the burden of overage. When the overage regime in Canada was such that people were paying $100 for a gig of overage or had to sign up to a number of, you know, top-up approaches that they had to manage and worry about whether their son or daughter or family member was using too much data, etc., it creates a burden on our customers and it shows up in the data growth rates, while we've seen already that with this cohort of Infinite customers, we've seen those growth rates climb substantively. Then, you take a look at affordability of handsets. Handsets are getting more expensive, not less expensive. We have, in some ways, a duty to our customers to help them figure out how to afford these handsets through choice of 24 or 36 months, etc. We think those are two very important catalysts to continue driving the growth opportunity that exists in our market, as a whole.

Wireless as a service for everyday life is becoming even more vital and important, and it's insinuated itself into every facet of life. Therefore, I think the upside continues to be very strong. The applications around 5G, I think, although early days right now, and all day right now, they all seem rather theoretical in nature. We are having a very similar conversation on the advent of 4G, and look what it's done to change the approach for consumers and to create the on-demand economy. 5G will create a new real-time economy with all kinds of use cases that we have only begun to anticipate, and I think it bodes well for both the medium- and long-term growth prospects of our sector.

Maher Yaghi:

Great, thank you, and just to follow-up on the second half, you mentioned it's very important, as we all know. In your planning into the launch of the unlimited plan, did you have in mind or did your market research indicate that the early adopters of these unlimited plans are mostly guys who would upgrade or downgrade, because I'm looking at your two-thirds of the new unlimited plan takers have upgraded versus downgraded. Do you believe in the second half are mostly guys who would continue to upgrade, or how do you see this taking place in the second half with the back-to-school period?

Tony Staffieri:

Maher, our modelling, when we had put together our outlook for the Infinite plans, our expectation was that early on the majority of customers would be downgraders and they would chase the savings quickly and the upgraders were going to take a while to understand the plan, understand the commitment they're making to a higher price point, and that always takes a bit of time. We actually had the inverse modeled in our plans, and so we were quite pleasantly surprised to see the inverse happening. Our expectation, then, is with upgraders waking up and adopting the plan sooner than we expected, I think we should expect to continue to see that. Will it be in that direct proportion, don't know, but I think it's off to a good start. As we've said, with the MRC being net positive, that's what we had hoped as the long-term outcome, and it's happening sooner than we expected. Good news on that front, but, again, six weeks into it.

Joseph Natale:

Bear in mind that as a portion of our entire base, the potential upgraders are vastly larger, vastly larger than the portion of downgraders. What we're seeing is the customer perception of value, the customer's value for money mindset, saying that worry-free data is worth spending a bit more for, and as a result, we're seeing more of the upgrader population move earlier on that, which is nice to see, actually.

Maher Yagi:

Yes, I agree, and just one last question on Cable. The net adds on Cable, on high speed, how do you—can you talk a little bit about the competitive picture in the GTA area as the competition increases on fibre-to-the-home, the pricing environment?

Joseph Natale:

Sure. Well, first of all, the competitive landscape and intensity has not changed in either direction, frankly. It's been roughly the same as it has been the last long while, as a whole. Bear in mind that, as I mentioned earlier, this is 16 quarters, four years of Internet penetration growth for our organization. We're now sitting at 57% penetration across our footprint of 4.4 million homes and businesses passed, and those numbers are holding up whether it's in a competitor's fibre territory or not. It's holding up in condo buildings in downtown Toronto and it's holding up in suburban parts of Canada. It's holding up in more sparsely populated parts of Canada where we have a footprint and operations, as a whole.

What we really see from customers, more than anything else, is they want Internet reliability. They want Internet and WiFi that works, and works well, and the fact that we've got a capability of a one-gig service with now managed WiFi capability across the entire base, and some more developments are coming on that front. Our new WiFi Hub is a great product and device. It allows our customers to manage to manage their WiFi in their home, but it also allows our technicians and our service operations people to look into the house and see how the WiFi is performing, and to take a look to practically manage that WiFi environment for our customers even before they call, or even before they've noticed they have a problem. We're doubling down on this notion of reliability, we think it's the number one item that matters most, and we're seeing customer response from that value proposition, as a whole.

There will continue to be competitive intensity in the market, that's not going to change, but we're very excited about the Ignite roadmap and what's coming around the corner, and as a result, there's some really interesting stuff coming. We've got a new generation of WiFi extenders that will be launched sometime very soon. We've got new capability around television viewing, new opportunities around the connected home. We'll continue to create reasons to believe in the Rogers product set and reasons to buy for people that will overcome some of the price-only competition that we've seen historically.

Maher Yagi:
Great, thank you very much, guys.

Paul Carpino:
Thanks, Maher. Next question, Ariel.

Operator:
Our next question comes from Drew McReynolds of RBC.

Drew McReynolds:
Thanks very much. Good morning. Two for me. First, Joe or Tony, on the unlimited plans that you have out there in market, you talk about wanting to stimulate data consumption. Can you—I know it's early

days, but provide us a little bit of an update in terms of what you're seeing in terms of behaviour in those unlimited plans, relative to what the behaviour was before?

Then, secondly, bigger picture, just on the regulatory outlook. In the last six months, I think if you look at all the Wireless pricing changes out there in the Canadian market, it's been pretty amazing to see and how fast it's all unfolded. Maybe, Joe, talk about whether expectations have changed from a regulatory standpoint as we look forward to the Wireless hearing. Thank you.

Joseph Natale:
Tony, do you want to take the first one on data and I'll pick up on regulatory?

Tony Staffieri:
Sure. On data, we said from the outset that one of the key success points we would look at on this is actually driving up data growth. Within our population—and it's probably not dissimilar to the rest of the industry—what we saw was data usage growth slowing to about 20% year-on-year, and so what we wanted to do is really ignite that growth rate. For customers—of the 365,000 customers that have switched to the new plans, what we saw immediately, within the six-week period, is sequentially their usage grew by 50%. When you look at it sequentially, as well as year-on-year, very healthy data usage growth, which was the behaviour we were expecting. We didn't expect it as quickly as we thought. There are some reasons for that, the biggest one being customers no longer toggling their WiFi on and WiFi off switch, and so just by leaving it off, they're comfortable using the data, which is the experience we wanted, and that's what we're seeing in the usage rates.

Joseph Natale:
Drew, on the regulatory front, one thing that some of the moves that we've made have done, especially around unlimited and equipment financing, it really demonstrates that we are perfectly aligned with the overall agenda for the government on the regulatory front with respect to making Wireless services more accessible and more affordable for Canadians. My simple view of it is the more we focus on what's important to the customer, the more we focus on the customer experience as a whole, the more aligned it becomes with the overall regulatory view and policy of government. We've had some very encouraging conversations around some of the moves that we've made most recently, very supportive conversations from the Minister and other members of the Cabinet, as a whole, and we think that's a good sign.

We've got a very precious resource in Canada, and that is Wireless infrastructure. Our networks are truly amongst the best in the entire world in terms of capability, in terms of reach to rural parts of the population, in terms of speed. Pick any metric and Canadian networks are amongst the best in the world. The best avenue, we believe, to drive the continuous investment of that precious resource and drive economic return from that investment in a country as sparsely populated as Canada is to make the voice of the customer be the loudest on the landscape to preserve that infrastructure for the use in the future, and for 5G and all that brings.

I'll get off my platform now, but I would just say to you that we think these are all aligned to what matters most and we're seeing good support on that front.

Drew McReynolds:
Okay, thank you.

Paul Carpino:
Thanks, Drew. Next question, Ariel.

Operator:
Our next question comes from Tim Casey of BMO.

Tim Casey:
Yes, two for me. One, Joe, could you talk a little bit about what you're seeing across brands? Given the new Infinite plans are all on the premium brand, and it looks like Chatr had a decent quarter, at least in loading terms, I'm just wondering what you're seeing, if anything, in terms of movement across brands as the new plans have been introduced.

Second point, how should we think about any regulatory discussions with respect to the three-year financing plan? You said more than half of customers so far have responded to them, but I know there is a little bit of confusion out there about how those plans will fit in with the code, just wondering how you would frame that debate. Thanks.

Joseph Natale:

Okay. Thanks, Tim. One of our goals in launching Infinite was to really focus the value proposition for each of our three brands in Wireless, and I'm happy to report that, through this change, Fido has done very well and kept momentum that it had, strong momentum it had, and on top of that, Chatr is performing well. We're trying to create delineation where the Rogers brand is a brand that is about customers that want worry-free unlimited data and a more-for-more value proposition.

The Fido brand is aimed at people that are looking to spend somewhere in that $40 to $60 range, want a good experience, want a good service and a good network, but have less opportunity to spend the higher amount. The Chatr brand is available, and it's a great service to anyone, with a great value proposition, and an opportunity for people that are either budget constrained or that want to manage their Wireless services in a very new approach. It's good for people that are new to Canada, we see a lot of new Canadians on the Chatr brand. It's great for students.

We're really doing a better job of sharpening the segment focus of each of the parts of the Canadian market across the three brands, the goal being that each of the three brands is attractive to those different parts of the market and drives good, strong economics in and of themselves, and we're happy with that result, as a whole.

In terms of regulatory discussion, we feel that our approach is right for consumers. We've given consumers a choice of 24 or 36 months. We've separated the equipment financing from the monthly service fee, so it's completely transparent and open. Customers, whenever they like, can pay off the balance and do whatever they want with their phone at that point. We think it's very customer-friendly, very transparent, very open. We believe it is completely aligned with the intent and the spirit of the Wireless Code and regulation, and we've been incredibly cooperative with the CRTC around providing information and insight into why these plans are right for consumers, and we await their consideration.

Tim Casey:

Thank you.

Paul Carpino:

Thanks, Tim. Next question, Ariel.

Operator:
Our next question comes from Jeff Fan of Scotiabank.

Jeff Fan:
Thanks. Good morning, and thanks for taking the questions. I've got a few, very quickly. Number one, on overage, because you launched the plans, the Infinite plans, I guess, late in the quarter, was there any impact of overage in your second quarter number? I guess we'll start to see a little bit more of that in the third quarter and second half. I just wanted to clarify that.

Then, also clarifying, I guess, the moderation in growth. I'm wondering, as you kind of go through this transition, when should investors expect to see a reacceleration of the service revenue growth as you look further out, and how you model out the impact of Infinite?

Then, I guess the last one is on network usage. It's great to see that those that have come across on Infinite are seeing an increase of 50%. As you sit back on the network capacity, what are your thoughts in terms of how this may or may not impact capacity and, therefore, Wireless CapEx, and whether usage, over time, could maybe substitute some of the broadband usage or fixed broadband usage that's in the home, and that's, I guess, more of a longer-term story? Thanks.

Tony Staffieri:
Hi, Jeff. I'll start with the first one, straightforward. Virtually no overage impact in the second quarter. As you said, we launched it two weeks before the end of the quarter, and so there was hardly any impact in the second quarter.

I think the second part of your question is, how do we see this sort of unpacking in terms of time. Our expectation was that the full implementation of this was going to play itself out over six to eight quarters, somewhat in line with the contracted base. It may happen a little sooner. But, what we sort of see is, on the overage side, it's happening at a more moderated pace than we expected, so that might suggest it goes on a little longer, but as we've said, it's really a moderation to the growth rates. That's probably all we can say. It's, as we've said, six weeks into it, so it's tough to predict, but we're expecting a longer impact rather than shorter.

It's not unlike—one of the analogies we've been talking to some of you about is Roam Like Home. When we did that, what we saw was a very quick adoption of the value proposition and a much quicker, in terms of probably four to five quarters, adoption and impact on the revenue melt that it had. For what it's worth, that's somewhat of an analogy both in terms of value proposition, as well as materiality of the amount. That's probably all we can say at this point on that one.

Joseph Natale:

In terms of network, we've modeled network consumption and impact over the long term. We feel very comfortable with the types of growth rates that we would anticipate. We've benchmarked them against different countries in the world and their data growth rates and their consumption. We've got a great spectrum position, enhanced recently by the 600 megahertz acquisition, as a whole, so we've got the ability to deliver the capacity.

In terms of going forward, we're investing in 5G and adding more capability, which will deliver even more capacity at a better unit cost. As I said earlier, if 5G is inevitable, then we'll make—as an industry, make the pivot from data as a scarce resource that is measured by just tonnage or quantity to a pivot around the quality of service or capability that customers are paying for. There are new technologies that are coming along that will even create further capacity. The migration from 3G to 4G across the entire footprint, 4x4 MIMO technology will create capacity, new spectrum of 3500 will create strong capacity. We came from a paradigm, if I can use that phrase, a paradigm of scarce data was sort of a thing that defined the 3G and 4G era. The 5G era will be defined more by the level and capability and quality of a service, and I think that's the important thing to bear in mind. Dynamic spectrum sharing will change that opportunity in a big way. We feel very confident around that, overall, Jeff.

Jeff Fan:

Thanks.

Paul Carpino:

Thanks, Jeff. Ariel, we have time for two more questions, please.

Operator:

Certainly. Our next question comes from Simon Flannery of Morgan Stanley.

Simon Flannery:
Great, thanks very much. Good morning. Joe, you talked quite a bit in the past about surfacing value from some of your investments. How are you prioritizing that at this point?

Then, maybe just to follow-up on the video business, can you just talk about what's going on in that business in terms of cord-cutting, what are you seeing in gross adds, what are you seeing in churn, and how does the profitability split? I think you said the margins are higher in Internet, but any colour you could give us around what happens on a video loss versus an Internet add. Thank you.

Joseph Natale:
On surfacing value, Simon, for some of our investments, I've got nothing really new to report. We continue to look for opportunities that make sense for the business in the long term, and when we have something that is meaningful, we'd be happy to share what we're thinking.

With respect to video, what we're seeing in the video market is, really, the market is coming together in sort of two segments, as whole. The overall market roughly runs at about 50% margin, versus Internet, as you know, is largely CapEx and fixed costs and the margin is much stronger, as a whole. What we're finding is that the top end of the video market, we're doing very well. We're doing very well for customers that want lots of content, wants an abundance of choice and programming, as a whole, and we're seeing very strong ARPU growth in TV, as a whole. We're seeing 4% ARPU growth as a result of that continued growth in that part of the market, and it's driven by Ignite TV and things that we're doing.

It's the other part of the market. If you think of the market as sort of being two sets of customers, a quasi-OTT kind of appetite, and there are some service offerings in different parts of the country that require very little investment in terms of installation or set-top box, and TV services for very basic service starting at about $5 a month. We don't have a play in that part of the market yet, but something is on the horizon for us, and there our goal is to create more choice for customers, where they have a very affordable entry point and then, through the course of time, they can buy content in a much more snackable approach. They can buy a series or an episode. They can buy the Raptors playoff as a service overall. They can add on as they see fit. We would see ourselves merchandising this as an add-on to Internet.

If you take a step away back, that is goal. Internet is our primary service, broadband to the home, and we'll continue to find offerings, whether it's video, all-you-can-eat video or all-you-can-choose video, or whether it's smart home monitoring or the connected home, to add value and to add opportunity for that broadband connection. But, we're still very bullish on video, still think it's an important part of our business. It's going through the transformation that we see all around the marketplace, frankly, globally. Happy with our addressing of the video opportunity on the upper end of the market, and more to come with respect to the à la carte part of the market.

Simon Flannery:
Great, good colour, thank you.

Paul Carpino:
Great, thanks, Simon, and our last question, please, Ariel.

Operator:
Certainly. Our final question comes from Aravinda Galappatthige of Canaccord Genuity.

Aravinda Galappatthige:
Good morning. Thanks for squeezing me in. Two quick ones for me. Number one, on the Wireless side, I fully recognize the simplification of the Wireless offerings under the new sort of structure. For Joe or Tony, maybe, do you worry that that perhaps creates gaps in the market that will allow your competitors to maybe take a little bit more share? If you think about the $75 plan—in a Rogers store, obviously, there isn't anything that's generally lower than that, so you're kind of forced to go to the flanker. Do you feel that for that segment of the market that wants a $55, $60 or $65 plan, that that creates a gap that might cause some share drain there?

The second question, real quick, on Media, Tony, I was wondering if you can give us a little bit more colour on the puts and takes we should think about in the second half. I know there was a little bit of noise around the salaries and distribution from MLB, as well as the publishing sale. I was wondering if there's anything notable for the second half. Thanks.

Joseph Natale:

I'll take the first one and Tony can take the second one. Aravinda, we are, as I said earlier, really trying to create crisp delineation between the brands. We have done a very thorough analysis of the Rogers base and the opportunity for that base to sign up to the Infinite plans, and we're very happy with the delineation that we've created around these price points. As I said, Fido is doing very well. We're pleased with that direction, as a whole, and we'll continue to march forward. Now, at the end of the day, the market will continue to evolve, it's a dynamic market, but we're pleased with the way we're approaching it and we're confident it's the right direction.

Tony Staffieri:

On the second part of your question, Aravinda, yes, a couple things. I think you should expect to see good healthy top line and EBITDA growth in the second half for Media. The Jays viewership and monetization will continue to struggle, but in the back half we have the other sports franchises coming onboard, hockey and basketball, notably, and so we expect that to drive good numbers as we head into the fall, and that's underpinned by continuation of radio having a very good, solid growth trajectory into the back half. That, combined with the cost efficiencies that you've seen in the second quarter, that'll continue into the back half. I think the outlook for Media continues to be strong for us.

Aravinda Galappatthige:

Great, thank you.

Paul Carpino:

Thanks, Aravinda, and thanks to everyone for joining us on the call today. If there's any follow-up questions, please feel free to reach out to the IR Team. Thank you.

Operator:

This concludes today's conference call, you may disconnect your lines. Thank you for participating and have a pleasant day.

This is Exhibit "10" referred to in the Affidavit of Dean Prevost sworn by Dean Prevost at the City of Toronto, in the Province of Ontario, before me on October 20, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

Commissioner for Taking Affidavits (or as may be)

JOHN CARLO MASTRANGELO

REDACTED

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REDACTED

Thank you,
Cory

From: Mustafa Sattar <Mustafa_Sattar@mckinsey.com>
Sent: March 4, 2022 1:08 PM
To: Cory Watson <Cory.Watson@rci.rogers.com>
Cc: Dominic Amirtharaj <Dominic_Amirtharaj@mckinsey.com>; Michael Charendoff - EXT <Michael.Charendoff@rci.rogers.com>
Subject: Commercial WiFi Cost

Hello Cory,

As per our discussion, I'm looking to get in touch with the Rogers prime for commercial WiFi installation to discuss installation cost.

More specifically, I'd be looking for the following costs:

- Backhaul / cabling
- Power
- Installation
- Truck roll
- Site acquisition

Thank you,

Mustafa Sattar, P.Eng., PMP
Associate - Implementation
McKinsey & Company
McKinsey Mobile - Primary +14373477449

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JOHN CARLO MASTRANGELO

Canadian Radio-television and Telecommunications Commission
Conseil de la radiodiffusion et des télécommunications canadiennes

Telecom Decision CRTC 2021-385

PDF version

Ottawa, 19 November 2021

Public record: 8622-C347-202101111

Competitive Network Operators of Canada – Application requesting relief from Rogers Communications Canada Inc. concerning Data Over Cable Service Interface Specification (DOCSIS) 3.0 modems

The Commission finds that Rogers Communications Canada Inc.'s (RCCI) actions regarding its stop-sell date for new Data Over Cable Service Interface Specification (DOCSIS) 3.0 modems and subsequent phase out of existing DOCSIS 3.0 modems is consistent with a reasonable interpretation of RCCI's tariff and with the Commission's cable modem framework. While this conduct may result in a disadvantage for RCCI's third-party Internet access (TPIA) customers, that disadvantage is not unreasonable.

The Commission **denies** the Competitive Network Operators of Canada's (CNOC) request to direct RCCI to modify its notice to its TPIA customers and expects RCCI to adhere to the second-level testing obligations set out in Telecom Decision 2004-37 when collaborating with its TPIA customers to test and approve new DOCSIS 3.1 modem models for use on its access network.

Background

1. The Commission regulates third-party Internet access (TPIA) services provided by the large cable carriers. Competitor Internet service providers (ISPs) purchase TPIA services and provide retail Internet access to their end-customers using cable modems that are connected to and compatible with a cable carrier's access and distribution networks and systems.
2. Rogers Communications Canada Inc. (RCCI) offers TPIA services to ISP customers according to the terms, rates, and conditions set out in its Access Services Tariff (RCCI's tariff).[1]
3. RCCI's tariff specifies that ISPs are responsible for providing their end-customers with a modem that meets a set of specifications designed to ensure the integrity of RCCI's network. Modems also have to satisfy RCCI's second-level test, and the company makes available a list of modems that have satisfied this requirement (hereafter, RCCI's list). ISPs can also apply for certification for modems that are not on RCCI's list.

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[1] Tariffs for TPIA customers are in Part G of RCCI's tariff.

4. RCCI's tariff also indicates that the company reserves the right to make any changes it deems necessary to the design, function, operation, technology, or layout of its network, and that TPIA customers are responsible for ensuring their equipment continues to be compatible with its network.

5. However, pursuant to Telecom Decision 2004-37, any changes regarding the use of cable modems for TPIA customers must be made in a manner consistent with the Commission's cable modem framework. In particular, TPIA cable modems should, at a minimum, satisfy a set of 10 requirements outlined in that decision.

6. On 15 June 2020, RCCI sent a letter (the June letter) to its TPIA customers informing them that effective 4 January 2021, RCCI would stop activating Data Over Cable Service Interface Specification (DOCSIS) 3.0 modems with fewer than eight upstream channels.[2] Existing end-customers already using DOCSIS 3.0 modems with fewer than eight upstream channels would receive continued support only under the following conditions:

    - The end-customer's modem is active on 4 January 2021.
    - The end-customer's modem activation request was received on or before 3 January 2021.
    - The end-customer continues to be supported by the same network point of interconnection (POI).

7. The June letter also indicated that effective 1 June 2021, RCCI would implement a stop-sell: it would cease activating all DOCSIS 3.0 modems and would only permit activation of DOCSIS 3.1 modems, regardless of download speed tier. End-customers with active DOCSIS 3.0 modems would only continue to receive support under the following conditions:

    - The end-customer's modem is active on 1 June 2021.
    - The end-customer's modem activation request was received on or before 31 May 2021.
    - The end-customer continues to be supported by the same network POI.

8. The Competitive Network Operators of Canada's (CNOC) members contacted RCCI for additional information about its decision and attempted to negotiate a delayed timeline for withdrawing DOCSIS 3.0 modems from RCCI's list.

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[2] DOCSIS is a telecommunications standard used to provide Internet access over a cable modem. The number of channels a model has affects how much data can be transferred between the modem and the network. Older DOCSIS 3.0 modem models have only four upstream channels, while newer ones have eight.

9. On 12 March 2021, RCCI sent a follow-up notice to its TPIA customers notifying them that only certified DOCSIS 3.1 devices would be able to access RCCI's DOCSIS network after 31 December 2022 in the Atlantic region, and after 31 December 2023 in the Ontario region.

Application

10. On 16 February 2021, the Commission received an application from CNOC seeking expedited and temporary relief from what it submitted were arbitrary decisions by RCCI. Specifically, CNOC indicated that its members were being deprived of the opportunity to earn a return on their DOCSIS 3.0 modem inventory. CNOC submitted that RCCI's conduct subjects its TPIA customers to an unreasonable disadvantage, contrary to subsection 27(2) of the *Telecommunications Act* (the Act), and that such conduct is also not consistent with a reasonable interpretation of RCCI's tariff.

11. CNOC submitted that as a result of RCCI's decision, the process for modem selection will prohibit TPIA customers from competing and from accessing RCCI's network.

12. CNOC requested that the Commission order RCCI to allow its TPIA customers to continue to activate DOCSIS 3.0 modems when ordering download speed tiers up to 300 megabits per second for a period of two years after the Commission issues its decision in this proceeding.

13. RCCI filed a response opposing CNOC's application on 24 March 2021, in which it claimed that the proposed relief strikes directly at RCCI's ability to plan, design, and run its network.

14. The Commission received interventions opposing CNOC's request for relief from four cable carriers: Bragg Communications Incorporated, carrying on business as Eastlink (Eastlink); Cogeco Communications Inc. (Cogeco); Quebecor Media Inc., on behalf of Videotron Ltd.; and Shaw Cablesystems G.P. (Shaw) [collectively, the cable carriers].

15. The Commission also received interventions in support of CNOC's application: two from ISPs (Distributel Communications Limited and TekSavvy Solutions Inc.) and one from the Public Interest Advocacy Centre.

Commission staff letter and RCCI's notices of extension

16. Commission staff sent a letter to RCCI on 26 April 2021 requesting confirmation that the company would not require its TPIA customers to start using DOCSIS 3.1 modems for all new activations until the Commission issued its decision in this proceeding.

17. RCCI responded on 28 April 2021, confirming that it would extend its stop-sell date to 31 December 2021, but added that it would not extend the dates by which all DOCSIS 3.0 modems would have to be replaced.

18. On 17 August 2021, RCCI sent a notice to its TPIA customers advising them that it would further extend its stop-sell date to 30 June 2022.

Issues

19. The Commission has identified the following issues to be addressed in this decision:

- Is RCCI's conduct consistent with a reasonable interpretation of its tariff and with the Commission's cable modem framework?
- Does RCCI's conduct subject its TPIA customers to an unreasonable disadvantage, contrary to subsection 27(2) of the Act?
- Should the Commission require RCCI to allow its TPIA customers to introduce DOCSIS 3.0 modems for an additional two years following this decision?

Is RCCI's conduct consistent with a reasonable interpretation of its tariff and with the Commission's cable modem framework?

Positions of parties

CNOC

20. CNOC submitted that the Commission determined in Telecom Decision 2020-355 that TPIA providers have an obligation to provide clear and supportable reasons for removing DOCSIS 3.0 modems from their lists of approved modems. CNOC argued that RCCI failed to provide clear and supportable reasons for removing any modems from its list, and therefore failed to meet the Commission's requirements.

21. CNOC further submitted that the Commission's conclusions in Telecom Decision 2020-355 require a broad interpretation of the tariff, which set network incompatibility as the acceptable threshold for removal of a modem from a TPIA provider's list of approved modems.

22. CNOC added that its application concerned the broader issue of ensuring wholesale access providers are not able to arbitrarily set standards for TPIA customers and, in so doing, undermine their ability to compete for and serve end-users.

RCCI

23. In its answer to CNOC's application, RCCI submitted that it did not detail the exact reasons for its transition to DOCSIS 3.1 in its June letter because its plans and designs for its network are confidential and competitively sensitive, but added that it would nevertheless provide additional information to ensure a more complete public record.

24. RCCI submitted that given the dramatic increase in residential Internet usage due to the COVID-19 pandemic, it has begun to accelerate its capacity augmentation plans, which include a shift to a more efficient DOCSIS 3.1 access network. To take advantage of the advances of DOCSIS 3.1, all of the equipment in the access network must be DOCSIS 3.1-capable, including equipment on the customers' premises, such

as modems. RCCI further submitted that as part of its transition plan to an all DOCSIS 3.1 access network, one of the major milestones required is a stop-sell of DOCSIS 3.0 modems.

25. RCCI submitted that it has the right to determine how best to develop and maintain its network, including the right to decide to remove the DOCSIS 3.0 modems. It argued that this decision is consistent with its tariff, and that it has expended significant resources to begin implementing these changes.

26. RCCI argued that while its list already includes a number of DOCSIS 3.1 modem models permitted for use, its TPIA customers have sufficient time to have other models added, and that it is their responsibility to plan in advance for these types of changes. Moreover, it is important that RCCI, as the owner and operator of its network, be entitled to make its own decisions about these matters, and CNOC members must be subject to RCCI's reasonable decisions to manage its network appropriately.

The cable carriers

27. The cable carriers supported RCCI's argument that the company is within its rights to manage its network as it sees fit. In particular, Cogeco submitted that the Commission determined in Telecom Order 2018-176 that the choice of network configuration, including its critical components, is the prerogative of the carrier alone. The cable carriers also noted that the requirements for modems that the Commission identified in Telecom Decision 2004-37 stipulate that they should operate at the service level specified by the TPIA provider.

28. The cable carriers submitted that implementation of the DOCSIS 3.1 modem standard is well underway in Canada, and that other carriers are planning similar upgrades. They note that the ability to offer higher upload speeds is tied to the implementation of the DOCSIS 3.1 modem standard.

29. The cable carriers pointed out the similarities between this matter and the Commission's conclusions in both Telecom Orders 2018-442 and 2018-463. In Telecom Order 2018-442, the Commission determined that it was appropriate for Shaw to require its TPIA customers to use DOCSIS 3.1 modems to provision Shaw's Internet 300 service. In Telecom Order 2018-463, the Commission required DOCSIS 3.1 modems to support Cogeco's new higher speed services.

Interveners

30. Interveners in favour of CNOC's application submitted that RCCI violated the Commission's cable modem framework because it has not provided clear and supportable reasons for why each of the modem models being removed from its list is incompatible with or unable to connect to its network as a result of modifications to RCCI's network or systems.

31. These interveners also submitted that the current situation is not analogous to those in Telecom Orders 2018-442 or 2018-463. They argued that in those instances, DOCSIS 3.1 modems were required for high-speed connections, while in this instance, RCCI is trying to prevent resellers from providing services at lower speeds where DOCSIS 3.1 modems are not necessary for efficiency or avoiding network congestion.

Commission’s analysis and determinations

RCCI’s tariff

32. In Telecom Decision 2020-355, the Commission determined that Eastlink’s removal of a specific brand of modems from its list of approved models was not consistent with a reasonable interpretation of its tariff, because while a limited number of modems in that instance were known to be defective, the vast majority of the modems continued to be compatible with and able to connect to Eastlink’s network.

33. CNOC argued that in the present matter, the specific wording in section 9.2 of RCCI’s tariff requires that to remove a modem model from its list, RCCI must make a change to its network that renders a cable modem model incompatible with or no longer able to connect to its network, which it has not done.

34. Under CNOC’s interpretation of RCCI’s tariff, RCCI would have to make a change to its network that would immediately render the DOCSIS 3.0 modem incompatible or unable to connect in order to allow their removal.

35. In the Commission’s view, such an interpretation would cause significant disruption, as it would result in the sudden end of service or disconnection for all existing end-users equipped with a DOCSIS 3.0 modem.

36. In the present case, RCCI has planned a complete upgrade to a new modem standard as part of network-wide development intended to maintain efficiency and level of service for all users, including its TPIA customers’ end-users. RCCI has demonstrated that its planned network transition will render DOCSIS 3.0 modems incompatible with its access and distribution network and systems in the longer term. It has also justified the need for this transition, as DOCSIS 3.0 modems would negatively affect RCCI’s network by reducing spectrum efficiency and data transmission speeds.

37. Accordingly, a planned transition to a DOCSIS 3.1 access network constitutes a situation that would render DOCSIS 3.0 modems no longer compatible with RCCI’s access and distribution network, and therefore RCCI would be justified in providing six months’ written notice to remove them from the approved list.

38. However, given RCCI’s planned large-scale network shift from DOCSIS 3.0 modems to DOCSIS 3.1 modems, providing the minimum six months of written notice to TPIA customers would likely also cause significant disruption for these providers and their end-users, as that would not provide sufficient time to prepare for such a

significant technological change. The Commission is therefore of the view that section 9.2 of RCCI's tariff was not necessarily drafted to take into account the full range of scenarios that would require notification of network changes, including large-scale technology shifts.

39. Instead of providing the minimum notice required for removing modems from its list, RCCI has given ISPs almost one year's notice of an upcoming stop-sell order for DOCSIS 3.0 modems, and has grandfathered the use of DOCSIS 3.0 modems already active on its network, all in order to prepare for an orderly and efficient transition to an upgraded network.

40. In light of the above, the Commission finds that RCCI's conduct is consistent with a reasonable interpretation of its tariff.

The cable modem framework

41. With respect to CNOC's argument that RCCI failed to provide clear and supportable reasons for removing DOCSIS 3.0 modems from its list, the Commission is of the view that while RCCI's June letter to its TPIA customers communicated changes to the modem standards and requirements, it did not include clear and supportable reasons for the removal of DOCSIS 3.0 modems from its list at that time.

42. However, in RCCI's follow-up notice to its customers, the company informed them of important changes to its DOCSIS Roadmap, and specifically of its plan to migrate to an all DOCSIS 3.1 access network, thereby necessitating the decommissioning of DOCSIS 2.0 and DOCSIS 3.0 modems.

43. Taken together, the information provided in RCCI's follow-up notice and in its response to CNOC's application indicates that to transition to an all DOCSIS 3.1 access network, it must first prevent additional units of DOCSIS 3.0 modems from being activated on its network. In addition, RCCI indicated that in anticipation of the operational challenges of transitioning existing end-users, the planned stop-sell of DOCSIS 3.0 modems is a critical component of its gradual and coordinated transition.

44. In light of the above, the Commission considers that RCCI has provided clear and supportable reasons for requiring the stop-sell of DOCSIS 3.0 modems.

45. In light of all of the above, the Commission finds that RCCI's conduct is consistent both with a reasonable interpretation of its tariff and with the Commission's cable modem framework.

Does RCCI's conduct subject its TPIA customers to an unreasonable disadvantage, contrary to subsection 27(2) of the Act?

Positions of parties

CNOC

46. CNOC submitted that RCCI's conduct subjects its TPIA customers to an unreasonable disadvantage, in contravention of subsection 27(2) of the Act, in several ways.

47. Firstly, the process for certifying modems not already on an approved list is lengthy. TPIA customers sought certification of the DOCSIS 3.0 modem and have deployed an extensive number of them, which CNOC submits demonstrates that there is strong demand for this model in conjunction with RCCI's TPIA service. This demand should not be extinguished by RCCI's arbitrary conduct.

48. Secondly, RCCI's requirement that its TPIA customers remove DOCSIS 3.0 modem units from deployment does not allow those customers to make economical use of their significant investments in serviceable equipment. Backed by threat of disconnection, RCCI's notice has already resulted in the removal of thousands of modems by many of its TPIA customers.

49. Finally, RCCI's notice is an inappropriate and untimely measure in light of the current limits on availability of DOCSIS 3.1 modems, which have a reported order lead time of up to one year and may become entirely unavailable due to the worldwide shortage of semiconductor chips.

Interveners

50. Interveners that supported CNOC's application submitted that when taken together, the imposed transition to DOCSIS 3.1 modems, the absence of negotiations with TPIA customers, and the modem supply and certification delays threaten the ability of RCCI's TPIA customers to compete in their serving areas.

51. Interveners further submitted that DOCSIS 3.0 modems are a mid-lifecycle technology that can be used for years to come, and argued that decommissioning them at this time is wasteful and punitive for TPIA customers given the high cost of replacing them.

RCCI

52. RCCI responded that CNOC has no insight into or knowledge of the significant efforts and costs that resulted from RCCI's planned capacity augmentation and transition to an all DOCSIS 3.1 modem access network. While CNOC's members' only concern may be whether the DOCSIS 3.0 modems work, RCCI has to be concerned about the impact of DOCSIS 3.0 modems on its network, specifically with respect to efficiency, spectrum use, capacity, and speed.

53. RCCI reiterated its view that TPIA customers should not be able to dictate the appropriateness of measures the network owner has determined are necessary to upgrade and maintain a particular level of service for all of its users.

54. RCCI submitted that it provided its TPIA customers with twice as much notice as its tariff required that the DOCSIS 3.0 modem would be removed from its list. RCCI also argued that any shortage of DOCSIS 3.1 modems or parts affects everyone, including RCCI, and that it should not be penalized for TPIA customers' poor business contingency planning.

55. RCCI further submitted that its decision has not subjected CNOC members to costs that equate to an unreasonable disadvantage. Its approved list includes a number of models that are permitted to be used. Moreover, its TPIA customers do not use one type of modem exclusively, but instead are using various types of approved modems, and therefore, the decision to stop adding new DOCSIS 3.0 modem units to its network is in no way prejudicial.

56. RCCI added that circumstances related to COVID-19 have created a significant increase in traffic, due in part to a large workforce working from home and using video calls for communication. Increasing capacity and spectral efficiency of its network is therefore a necessity for RCCI, and the use of DOCSIS 3.1 modems is a key solution.

Commission's analysis and determinations

57. The Commission's analysis of an allegation of undue preference or unreasonable disadvantage under subsection 27(2) of the Act is conducted in two phases. First, the Commission must determine whether the conduct in question constitutes a preference or subjects a person to a disadvantage. If it so determines, it must then decide whether the preference or disadvantage is undue or unreasonable. Pursuant to subsection 27(4) of the Act, the burden is on the respondent to demonstrate that the preference or disadvantage is not undue or unreasonable.[3] In order to assess CNOC's claim that RCCI imposed an unreasonable disadvantage towards its TPIA customers, the Commission must first determine whether a disadvantage exists.

58. RCCI's decision to remove the DOCSIS 3.0 modem from its approved list would result in its affected TPIA customers incurring a financial cost to replace all non-grandfathered units. Moreover, the removal of DOCSIS 3.0 modems from RCCI's list could have a negative financial impact on CNOC members and on their ability to serve an important market segment seeking lower speeds and costs, insofar as DOCSIS 3.1 modems may cost, on average and based on CNOC's submission, $60 to

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[3] Subsection 27(4) of the Act states that the burden of establishing before the Commission that any discrimination is not unjust or that any preference or disadvantage is not undue or unreasonable is on the Canadian carrier that discriminates, gives the preference, or subjects the person to the disadvantage.

$80 more per unit than DOCSIS 3.0 modems.[4] The Commission therefore concludes that RCCI's conduct does subject CNOC's members to a disadvantage.

59. A preference or a disadvantage in and of itself is not contrary to the Act; the preference or disadvantage must be undue or unreasonable. While RCCI's decision will subject its TPIA customers to certain additional costs, RCCI has also incurred costs as a result of its plans to increase the capacity and spectral efficiency of its network. RCCI described its planned network changes as necessary, and these changes appear to be part of a normal evolution for RCCI. The company is taking advantage of more efficient technologies in order to maintain its position in the competitive market and to improve its services for all end-users, including TPIA customers' end-users.

60. The record of this proceeding does not enable the Commission to assess which party's financial costs to replace DOCSIS 3.0 modems are greater. However, the size and complexity of RCCI's network and planned transition suggest that RCCI's costs associated with investments in its network likely far exceed its TPIA customers' modem purchase and replacement costs.

61. CNOC did not elaborate on its assertion that the costs to TPIA customers will undermine the levels of competition in RCCI's serving territory. However, given that RCCI provided significant advance notification of the stop-sell date and has grandfathered the use of DOCSIS 3.0 modem units already active on its network until as late as 31 December 2023 for the Ontario region, it does not seem that removing DOCSIS 3.0 modems from RCCI's list would have a profound or lasting impact on TPIA customers' ability to compete in RCCI's serving territory. Affected TPIA customers could use DOCSIS 3.1 modem models already on RCCI's approved list or propose new models for certification.

62. CNOC submitted that DOCSIS 3.1 modems are in very short supply and have lead times of up to one year and provided some confidential documentation of these facts. CNOC submitted that requiring TPIA customers to upgrade in a constrained supply environment is therefore unjustified.

63. While the Commission accepts that there are currently limited supplies of and long lead times for DOCSIS 3.1 modems, the Commission considers that CNOC has not provided information that its members are experiencing undue or substantiated difficulties in acquiring DOCSIS 3.1 modems that is sufficient to justify the relief requested. The Commission also considers that CNOC has not provided sufficient detail demonstrating the steps its members took to acquire DOCSIS 3.1 modems after receipt of RCCI's June letter. Accordingly, the Commission is not in a position to assess the impact that the limited supply and long lead times for DOCSIS 3.1 modems are currently having on CNOC's members to justify the relief requested.

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[4] These amounts were proposed by CNOC in its application and were not disputed by any interveners on the record of this proceeding.

64. The Commission further accepts that in the short term, RCCI's decision may have an effect on competition in RCCI's serving territory due to the additional costs associated with purchasing DOCSIS 3.1 modems and certifying new modem models for inclusion on RCCI's list. However, it appears unlikely that there will be any long-term negative effects on competition. The Commission considers that the record of this proceeding does not support CNOC's statements that its members will be unable to compete and access RCCI's network. CNOC members benefit from a lengthy notification period that should allow them to obtain DOCSIS 3.1 modems, despite the current manufacturing delays, and can propose new DOCSIS 3.1 modem models to RCCI for certification. Therefore, in the Commission's view, RCCI's decision will not result in its TPIA customers being unable to access RCCI's network.

65. The Commission is also of the view that CNOC members' ability to service important market segments seeking lower speeds will not be unduly affected by the additional costs associated with the purchase of DOCSIS 3.1 modems because CNOC members have the ability to propose more economical DOCSIS 3.1 modem models to RCCI for certification.

66. CNOC and several interveners argued that they have experienced significant delays having new DOCSIS 3.1 modems tested and approved for use on RCCI's access network. In response to these claims, RCCI notes that CNOC members have proposed only one new DOCSIS 3.1 modem model since RCCI sent its June letter, but that it is prepared to assist and coordinate certification requests of its TPIA customers.

67. The Commission therefore considers that RCCI has met the burden of proof to demonstrate that its decision to remove DOCSIS 3.0 modems from its list does not impose an unreasonable disadvantage on its TPIA customers. The Commission also considers that RCCI's decision seems to have been borne out of an intention to protect or enhance the integrity of its network rather than to gain an advantage over other ISPs using RCCI's network.

68. In light of the above, the Commission considers that RCCI's removal of DOCSIS 3.0 modems from its list would not impose an unreasonable disadvantage on its TPIA customers. The Commission expects RCCI to adhere to the second-level testing obligations set out in Telecom Decision 2004-37 when collaborating with its TPIA customers to test and approve new DOCSIS 3.1 modem models for use on its access network in order to mitigate any potential disadvantage to RCCI's TPIA customers.

Should the Commission require RCCI to allow its TPIA customers to introduce DOCSIS 3.0 modems for an additional two years following this decision?

Positions of parties

69. RCCI submitted that CNOC's requested relief would cost RCCI approximately $70 million in additional, unplanned capacity augmentation and would jeopardize its planned transition to an all DOCSIS 3.1 modem access network.

70. CNOC responded that RCCI has no basis to claim that CNOC's proposed relief would be responsible for $70 million worth of economic impacts to the company. CNOC argued that RCCI chose to conduct its network planning contrary to the requirements of RCCI's tariff, and that the company should therefore bear any costs created by its own disregard of regulatory requirements.

71. The cable carriers submitted that in Telecom Order 2018-463, the Commission recognized the impact on Cogeco's network of requiring that wholesale services be offered using DOCSIS 3.0 modems, and that granting CNOC's request for similar relief would set a dangerous precedent in which TPIA customers dictate which equipment can be used on facilities-based providers' networks.

72. Interveners argued that the Commission should prevent RCCI from implementing its transition to DOCSIS 3.1 modems until the Commission determines that there is a sufficient supply of DOCSIS 3.1 modems.

Commission's analysis and determinations

73. As detailed above, the Commission considers that RCCI's justification for migrating its network to DOCSIS 3.1 modems supports its decision to stop activating DOCSIS 3.0 modems on its network, and that the removal of those same modems is a crucial part of RCCI's network development.

74. However, the Commission is sensitive to possible short-term difficulties that CNOC's members and other intervening TPIA customers describe as a result of RCCI's decision. RCCI's major network shift and the removal of an entire class of equipment may have a short-term impact on its TPIA customers, and the Commission considers that TPIA customers should have an appropriate period of time to prepare for this shift.

75. The Commission is cognizant that RCCI has provided advance notice to its TPIA customers and has extended the effective date of the stop-sell on two occasions: first on 28 April 2021, by seven months, to 31 December 2021, and more recently, on 17 August 2021, by six months, to 30 June 2022. The Commission therefore considers that CNOC's members have benefitted from an appropriate period of time to adapt and prepare for RCCI's announced technological changes to its network.

76. In light of the above, the Commission **denies** CNOC's request to direct RCCI to modify its notice to its TPIA customers.

Conclusion

77. In light of all of the above, the Commission finds that RCCI's conduct is consistent with a reasonable interpretation of its tariff and with the Commission's cable modem framework, and that its conduct does not subject its TPIA customers to an unreasonable disadvantage.

78. The Commission expects RCCI to adhere to the second-level testing obligations set out in Telecom Decision 2004-37 when collaborating with its TPIA customers to test and approve new DOCSIS 3.1 modem models for use on its access network.

Policy Directions

79. The 2019 Policy Direction[5] states that in exercising its powers and performing its duties under the Act, the Commission should consider how its decisions can promote competition, affordability, consumer interests, and innovation.

80. The Commission considers that this decision advances the policy objective set out in paragraph 7(c) of the Act.[6] Specifically, allowing RCCI to remove DOCSIS 3.0 modems as part of transitioning its network to a next level of modems will enhance the efficiency and national competitiveness of Canadian telecommunications. The Commission considers that enabling RCCI's network to perform at optimal levels and maintaining spectral efficiency is beneficial for all users, including RCCI's TPIA customers.

81. The Commission is also of the view that its decision is consistent with subparagraph 1(a)(ii) of the 2006 Policy Direction,[7] which requires that when relying on regulation, the Commission should use measures that are efficient and proportionate to their purpose and that interfere with the operation of competitive market forces to the minimum extent necessary to meet the policy objectives.

82. The Commission's decision represents a reasonable response, in that it does not interfere with the right of cable carriers to make appropriate decisions regarding the development and architecture of their networks, while at the same time facilitates the reduction of barriers to competition for smaller ISPs. This continued level of competition also facilitates the accessibility and affordability of broadband services for end-users by promoting end-users' choice of service providers.

Secretary General

Related documents

- *Canadian Network Operators Consortium Inc. – Application for relief regarding conduct relating to Technicolor cable modems by Bragg Communications Incorporated, carrying on business as Eastlink*, Telecom Decision CRTC 2020-355, 21 October 2020

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[5] *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives to Promote Competition, Affordability, Consumer Interests and Innovation*, SOR/2019-227, 17 June 2019

[6] The cited policy objective is 7(c) to enhance the efficiency and competitiveness, at the national and international levels, of Canadian telecommunications.

[7] *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, SOR/2006-355, 14 December 2006

- *Cogeco Communications Inc. – Introduction of new third-party Internet access service speeds*, Telecom Order CRTC 2018-463, 13 December 2018
- *Shaw Cablesystems G.P. – Introduction of a new third-party Internet access speed band and the Internet 300 access speed tier*, Telecom Order CRTC 2018-442, 29 November 2018
- *Rogers Communications Canada Inc. – New point of interconnection location in Argentia, Ontario*, Telecom Order CRTC 2018-176, 18 May 2018
- *Cable modems for third-party Internet access*, Telecom Decision CRTC 2004-37, 4 June 2004

This is Exhibit “47” referred to in the Affidavit of Dean Prevost sworn by Dean Prevost at the City of Toronto, in the Province of Ontario, before me on October 20, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

Commissioner for Taking Affidavits (or as may be)

JOHN CARLO MASTRANGELO

REDACTED

PUBLIC

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