Why do Canada's wireless critics want to turn back time?

TELUS is making the future friendlier for wireless consumers

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When a top Bay Street equity analyst recently identified ten common myths about the state of the Canadian wireless industry and countered them with current data, reaching the conclusion that our home-grown industry is serving Canadians very well when compared to the U.S., the industry's critics dogmatically set out to prove him wrong with numbers of their own. Unfortunately, they once again relied on outdated and inaccurate data to support their oft-repeated claims. Fortunately, policy-makers and regulators know that, because they demand real economic analysis based on current data.

The only question now is why the industry's critics refuse to use current data and recognize how much has changed in the past five years. Think about the wireless phone you had five years ago, and the experience of browsing the web on it. Would you go back to using it, or do you prefer the one you have today? The critics often use data from four or five years ago despite the availability of newer reports and data – as if they think you're still using your old phone, and that nothing has changed in the market.

The fact is a lot has changed in the last few years, and a lot of that change has been led by TELUS.

The claim that Canada's wireless market is uncompetitive is, frankly, not just woefully misleading, it is an insult to TELUS' team members, who work hard every day to earn Canadians' business by adapting how we do things to their evolving demands. We're proud of our record of building one of the best wireless networks in the world, and we're proud of the fact that independent statistics show that we have some of the most satisfied customers in the industry. We object to self-interested attempts to portray Canada's wireless market in a bad light by employing out-of-date statistics, inapt comparisons, and cheap shots.

In the attached paper, I challenge the claims that Canada's wireless market is "woefully uncompetitive" (as Professor Michael Geist puts it) and that Canadians "pay some of the highest prices in the world for some of the worst services" (as OpenMedia puts it). The most recent international statistics available show that prices for the kind of wireless services that Canadians actually use are below the OECD (Organization for Economic Cooperation and Development) average, in spite of the enormous area served by wireless services in Canada, our high standard of living, and the fact that Canadians use their wireless devices more than just about anybody else in the world. Canada also has some of the best networks in the world, in spite of the enormous cost of building and constantly upgrading them.

Let me be clear, TELUS does not deny that many Canadians have had bad experiences with their wireless carrier, including us, in the past. There's no denying that the "horror stories" that OpenMedia solicited from Canadians are real (although many were from several years ago). Instead of hiding from those sentiments, we've faced them head-on and significantly changed the way we do business and, judging by the number of new customers we have attracted recently and the fact that fewer customers leave TELUS than our competitors, our customers know it. Yet our industry's critics refuse to recognize that, and instead prefer to dogmatically rely on out-of-date statistics that do not fairly or accurately describe our company, our industry, or our country, in spite of our constructive attempts to encourage them to use current data.

In fact, many of the things that OpenMedia's report says annoy consumers – three-year contracts, high early termination fees, and bill shock from international data roaming – have already been changed by TELUS and will change uniformly across the industry once the CRTC wireless code of conduct comes into force. Many of the irritants that OpenMedia points to as evidence that our wireless market is 'broken' are either no longer prevalent in the market or will soon disappear entirely.

In the twelve sections in the attached paper, I respond to each of Professor Geist's ten points in detail and add necessary context regarding the international rankings and how they portray Canada.

In addition to frequently refusing to use the most recent data available, wireless industry critics almost uniformly fail or refuse to recognize three major methodological considerations:

1. Canadians use communications services, including the Internet, Internet video, wireless services and smartphones more than just about anybody in the world.

2. Consumer wireless expenditures have to be measured on a "per-subscriber" rather than "per-subscription" basis to give a complete picture of Canadian wireless prices. Subscribers in many countries pay for multiple subscriptions, while North Americans typically do not.

3. Consumer wireless expenditures also have to be considered in the context of overall household expenditures and per capita incomes. Low prices in one country, even as a matter of purchasing power parity (PPP), do not necessarily mean that consumers there pay less for wireless services than Canadians do.

These three themes come up frequently in this paper because they underlie so many of the misunderstandings and misstatements about the Canadian wireless industry that its critics so often repeat (and that in turn get reported as news).

Even when those who seek to portray our industry in a negative light do report current (or close to current) figures, they often neglect to report the *trends* in the data, which give a more meaningful picture of what's happening. Those trends – such as the estimated 49.5% year-over-year growth in smartphone adoption among customers of the top three Canadian carriers in 2012 (compared to just 28.2% among the top four American carriers) and the projected 44.5% growth in data as a percentage of

service revenues in Canada (compared to just 24.5% in the U.S.) – disprove a variety of common allegations, including the one about Canada's wireless market being uncompetitive.

If you don't have time to read all of the attached paper, here are the highlights:

Background: International wireless comparisons

- The OECD's biennial rankings of its member countries on a range of communications industry metrics have not historically represented Canada fairly due to methodology, but they are improving.
- OpenMedia refuses to use the most current OECD data available, and instead relies on data from the 2009 OECD report, which were gathered in August 2008!
- Looking at the post-paid service baskets in the 2011 OECD rankings that come closest to the average Canadian usage, the Canadian wireless prices reported (which are from only one brand, and not TELUS) are below the OECD average. We come out as the fifth-*least* expensive country in the high-use basket, for example.
- While low-usage plans in Europe may be priced lower than in North America, European consumers often pay for two or more plans, such that per-subscription data do not tell the whole story. For that, you have to look at *per-subscriber* data.

1. Average revenue per user (ARPU) is high in North America because North Americans use their wireless devices more

- Canadians (like Americans) are among the most data-intensive users of the Internet and smartphones in the world.
- High ARPU is not evidence of high prices, but rather high usage, which is typical of any consumer product or service.
- In any event, the OECD data show that as a proportion of both average household budgets and average per capita income, Canadians spend less on communications services than the residents of most OECD countries.

2. Canadian wireless prices are about average compared to peer countries, in spite of higher costs

- Canadian wireless prices are about the same and, in some cases, lower than those in the U.S., the country that it makes the most sense to compare Canada to.
- The 20% of Canada's land area that is served by wireless service would rank as the 200th least densely populated country in the world.

- Canadian carriers in the aggregate serve only 12 subscribers per square kilometre, compared to 37 in the U.S. and 453 in the Netherlands, for example.

- Despite having the lowest subscription-to-square-kilometre ratio, Canada still maintains below average consumer wireless costs as a percentage of household expenditures and per capita income.

3. TELUS does not charge carrier 911 fees

- Professor Geist falsely claims that "the incumbents all charge their subscribers 75 cents per month for enhanced 9-1-1 services." TELUS doesn't.

4. TELUS has been able to slash international roaming charges since going HSPA

- TELUS' very competitive international roaming rates, which were made possible by our move to a HSPA-based network in 2009 and our proactive negotiations with hundreds of international wireless carriers, are much lower than those surveyed in another 2011 OECD report, rendering it immediately outdated. We reduced our rates by up to 60% after the data for that report were collected.

- TELUS offers an extensive suite of usage notifications and "bill shock" protections.

5. TELUS does not charge a System Access Fee or Government Regulatory Recovery Fee

- The fact that only one carrier in the market charges a fee that no other carrier charges tells us nothing about the competitiveness of the Canadian wireless market.

6. Canada has among the highest rates of smartphone adoption in the world and growing fast

- Comscore and ScotiaCapital data demonstrate that Canada has among the highest rates of smartphone adoption in the world and growing very fast.

- TELUS' smartphone penetration rate among post-paid subscribers was 66% at the end of 2012.

- High smartphone penetration is both a result of Canada's superior networks and also a driver of data usage over those networks.

7. TELUS' unlocking policy is competitive

- The practice of network locking prevails around the world and across the Canadian market, from established carriers to new entrants.

- TELUS' competitive unlocking policy meets the needs of customers who want to be able to use a local SIM card when visiting another country for an extended period.

- Customers can unlock their phone for $35 as long as the device has been on the TELUS network for a minimum of 90 days.

8. Canadian wireless networks are among the best in the world, and don't let anyone tell you otherwise

- While not all wireless subscribers are using them yet, Canada's LTE networks are among the world's very best.
- North American *average* wireless network speeds are already high in comparison to other regions and are projected to reach 14 Mbps by 2017. LTE users can enjoy higher average speeds than that today.

9. Canada's world-class wireless networks support our world-class smartphone penetration

- While Canada has historically had lower wireless penetration than similar countries, this is due to our superior and ubiquitous wireline networks and the fact that commercial cellphone service started six years later in Canada vs. the U.S.
- Unlike consumers in Europe, Canadian consumers generally only need one wireless subscription as opposed to two or more (mainly to arbitrage roaming rates in nearby countries), which underscores the importance of distinguishing per-subscription costs from per-subscriber costs.
- Canadians are adopting smartphones at the highest rate in North America or Europe – with the penetration rate among the population increasing by almost 50% year-over-year – thanks to competition, not in spite of a lack of it.

10. TELUS is more spectrally efficient than Bell and Rogers

- TELUS serves roughly the same number of customers as our major competitors with significantly less spectrum. We have no choice but to use what spectrum we have as efficiently as possible to serve our customers.

Canada's wireless market is less concentrated than even the OECD average

- The aggregate market share of the top three carriers in Canada is 90.1%, which is below the OECD average of 93.3%.
- Eighteen countries have more concentrated wireless markets than Canada based on the aggregate market share of the top three carriers, and 22 countries have more concentrated markets based on that of the top four carriers.

At TELUS, we know we're not perfect, but we're getting better. We may be #3 in number of subscribers, but we're working hard to be #1. We are proud to have earned industry-leading churn rates (in fact, we recently reported our lowest churn rate in six years) and among the highest independent customer satisfaction ratings in the industry (according to JD Power, as explained here).

When the telecom industry's independent complaints resolution service, the Commissioner for Complaints for Telecommunications Services (or CCTS) released its 2011-2012 Annual Report, it showed that CCTS received 13 per cent *fewer* complaints about TELUS last year compared to the year before, and in a year when complaints about our industry as a whole went *up* 35 per cent. We were glad to see such great progress, but we know there's more to do if we want to bring those complaints even lower.

You can see why we object so strongly to characterizations of the Canadian wireless market as uncompetitive and homogeneous. We work hard every day to earn the trust of our customers in an intensely competitive marketplace where consumers have many choices.

We are happy to have an open, constructive discussion about Canada's wireless industry, but we think it's fair to insist that the discussion be based on current data and rigorous economic analysis. If you think I've gotten something wrong, please say so. We started the TELUS Blog to have this kind of frank discussion, and as long as you respect our House Rules, we won't delete your comments or call you names, like OpenMedia recently did to us.

If you are currently with one of our competitors and aren't satisfied, please consider giving TELUS or Koodo a chance to show you what our customers already know – that we're different from the other guys, and getting better all the time. You can learn more about how we put what matters to you at the heart of everything we do here.

Background: International wireless comparisons

First let's get to know some of the players in the debate over the competitiveness of Canada's wireless market: Jeff Fan, Michael Geist, OpenMedia, the OECD, Nordicity, and Peter Nowak.

On March 7, 2013, ScotiaCapital analyst Jeff Fan put out a report titled "Canadian Wireless Myths and Facts," in which he drew on current market data and concluded that "The facts support the view that Canada has a healthy wireless market with lower smartphone monthly price plans and higher smartphone penetration than the US, which benefits both Canadian consumers and carriers." Investors trust people like Mr. Fan to get their numbers right, but Professor Geist doesn't.

In a March 10 blog post titled "Canadian Wireless Reality Check: Why Our Wireless Market is Still Woefully Uncompetitive," University of Ottawa law professor Michael Geist set out to show that there is "ample evidence that the Canadian wireless market remains woefully uncompetitive when compared with peer countries around the world with higher costs, price gouging, and restrictive terms."

Also on March 7, advocacy group OpenMedia released a report titled: "Time for an Upgrade: Demanding Choice in Canada's Cell Phone Market," which included a chapter titled "Price-Gouging in a Global Context." This chapter makes shockingly selective use of data from OECD reports, sometimes using the most current data, from the "OECD Communications Outlook 2011" publication, but mostly using out-of-date numbers from "OECD Communications Outlook 2009."

Most of the OpenMedia report is based on the "cell phone horror stories" that the organization encouraged Canadians to send them. The issues raised in those complaints have had a full and public hearing in the ongoing CRTC proceeding to establish a national wireless code of conduct. I have previously written about those issues here, here, and here.

Let me emphasize that we do not deny the many bad experiences recounted in the OpenMedia report. We've faced them head-on and changed. OpenMedia's own complaint statistics show that we're doing better than the other guys when it comes to these horror stories. In a filing with the CRTC, OpenMedia indicated that among those consumers who responded to its campaign and identified their service provider, TELUS' brands were the subject of only 18.90% of complaints, while Bell brands were the subject of 31.74% and Rogers 47.88%. This despite a disproportionately large share of complainants being from from British Columbia, the home of both OpenMedia and TELUS.

But it's OpenMedia's use of the OECD data that concerns us the most. We have had our frustrations with the OECD rankings, but the 2011 ones were slightly improved over the 2009 version (in part thanks to the intervention of the Canadian government),which completely misrepresented Canada's market (as well as the U.S., as Scott Wallsten has explained). We look forward to the release of the 2013 report, which is expected in June (it only comes out every second year), because it will provide even more up-to-date information (albeit based on surveys done in 2012).

We were so frustrated with the OECD's 2009 report that we asked respected, independent consulting firm Nordicity in spring 2011 to compare the 2009 report to a prepublication version of the 2011 report. They concluded as follows:

> The Organization for Economic Cooperation and Development (OECD) will release its 2011 Communications Outlook on June 22, 2011. The Outlook will include rankings of wireless prices in Canada and 30+ other OECD countries. The last OECD Communications Outlook, released in 2009, ranked Canada as the third-most expensive OECD country with respect to medium mobile phone usage.
>
> Unfortunately for Canadian consumers and policy makers seeking representative and thorough international wireless service cost comparisons, the OECD Outlook tends to stand as the authoritative – and often lone – wireless cost benchmark for the nearly two-year period until the next OECD report is released. It is unfortunate because the public is generally unaware of the limitations of the OECD methodology, particularly that:
>
> The OECD rankings:
>
> 1. Are based on wireless plans serving a small minority of subscribers per country, and the choice of plan types is inconsistent;
>
> 2. Only somewhat account for vastly different mobile usage patterns per country;
>
> 3. Do not reflect the fact that nearly half of all residents of OECD countries outside of North America pay for two cell phone plans; and
>
> 4. Do not fully compare wireless costs in relation to average income.

After the 2011 report was published, we asked Nordicity to update their analysis, and here are their updated conclusions:

> **OECD Rankings**
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> - The OECD rankings are based on a seemingly random selection of carriers and plans. For instance:
>   - Canada's complete OECD wireless price ranking across six different calling profiles is based on fees from only four different wireless plans (two each from Bell and Rogers).
>   - The OECD compares post-paid, pre-paid and 'friends and family' plans to develop rankings within a single calling profile.
> - OECD rankings do not recognize that nearly half of the wireless subscribers in the OECD countries outside of North America pay for more than one mobile plan.
> - Typical Canadian calling patterns are not reflected in the OECD calculations. The OECD calling profiles closest to the average Canadian cell phone usage profile are based on:
>   - 187 minutes less per month than the average Canadian usage; or
>   - 194 minutes more per month than the average Canadian usage.

Canada

- Canadian wireless providers actually charge rates below the international averages despite serving the least densely subscribed network in the OECD. Canada's network serves 12 subscribers per km^2 – the fewest in the OECD – compared to 37 subscribers per km^2 in the United States and 312 subscribers per km^2 in the United Kingdom.
- The presence of three national wireless carriers and six regional providers gives Canada one of the six most competitive wireless market structures in the OECD.
- Canada's average per-minute wireless costs are the 11th-lowest in the OECD, $0.02 below the OECD average.
- Average wireless voice costs in Canada declined at a rate greater than the international average (2.65% vs. 2.46%) between 2005 and 2010.
- Based on average income, Canadian wireless voice costs are 10% lower than the OECD average and total wireless (voice and data) costs are 12% lower than the OECD average.

These facts are now well-known within the telecom policy community, yet in their brand-new report (and even after we tried to persuade them to stop using the 2009 data), OpenMedia has fallen back on the 2009 data when it suits them, presumably because the 2011 data aren't as favourable to their position. That kind of selective use of data wouldn't pass muster in an academic environment, and it most likely hasn't gone unnoticed in Ottawa.

Into this mix came a blog post by online journalist Peter Nowak on March 13 titled "Dispelling the myths of wireless myth-busting." In it, Mr. Nowak says: "I thought it might be instructive to take a look at some of the myth-busting facts presented in the Scotia Capital report, to see if they can indeed bear the weight of closer scrutiny. It turns out that they generally can't." Mr. Nowak in particular objected to Mr. Fan's use of the U.S. as the comparator market to Canada:

> The biggest problem with the report is its insistence on comparing Canada only to the United States. I had a brief email conversation with Fan about this and I understand why he did so. The U.S. is the most similar market to Canada's, with a common regulatory approach (as in, regulators have largely abstained from interfering) and systems. In Europe, for example, calling parties pay for calls, while in North America, minutes are counted on both the calling and receiving ends. It's these sorts of differences that make comparing plans and prices across many countries inherently difficult.

Mr. Nowak expresses doubt about Mr. Fan's estimation that "Canadian monthly smartphone plans are approximately 24%-27% cheaper than the US across all usage categories." He continues: "This 'fact' is pretty selective. For one, Virgin, Fido and Koodo are counted in the Canadian calculation, yet only Verizon and AT&T are included for the U.S." While that is the case in the low usage band, Fido and Koodo are not included in the medium and high usage bands (which more accurately represent Canadians anyway). Virgin is, but at prices that are higher than parent Bell's.

Apparently unconvinced by Mr. Fan's reasons for comparing Canada to the U.S., Mr. Nowak set out on the same kind of critique as Professor Geist. He was back with a further post on March 18, 2013 titled

"Debunking the wireless myth busters, redux" in which he reports figures from the Bank of America Merrill Lynch "Global Wireless Matrix" that show that Canadian wireless carriers have high levels of ARPU and profit. Yet these data should surprise no one, they are well known and not something that we deny. We're not embarrassed about being a well-run, successful company. Interestingly, the Wireless Matrix also shows that the major carriers in Japan, Italy, Portugal and Switzerland all have higher wireless EBITDA margins than in Canada, as do carriers in many emerging markets, despite lower ARPUs.

Mr. Nowak appears to believe that he has uncovered some new information that shows "just how well [we're] doing and does much to prove that Canadians are indeed paying high prices." However, as discussed under item 1 below, Mr. Nowak continues to confuse high ARPU with high prices, especially when prices in different markets are put into the contexts of both operating costs and per capita income. I respond to several statements in this post in the pages that follow.

With regards to smartphone penetration, Mr. Nowak accurately reports that the Bank of America Merrill Lynch data show that as a proportion of the general population, 37% of Canadians have smartphones. When Mr. Fan refers to 67% penetration and Comscore refers to 62%, those represent smartphone users as a percentage of post-paid wireless subscribers. While we acknowledge Canada's historically low wireless penetration rate, we would point out that smartphone adoption among the Canadian population is growing at the incredible rate of 49.5% year-over-year (as of 2012, according to Bank of America Merrill Lynch), such that our wireless penetration as a proportion of the population is no doubt also growing fast. Our internal estimates put it at 41.4% already. This issue is explored in more detail in item 9 below.

Now, let's turn back to Professor Geist's blog post (which he converted into a Toronto Star column on March 15 titled "Fight for wireless competition not over yet," in which he regrettably repeated many of the same errors and omissions). Professor Geist offers "ten reasons why there is ample evidence that the Canadian wireless market remains woefully uncompetitive when compared with peer countries around the world with higher costs, price gouging, and restrictive terms." Yet what the post actually consists of is a series of unusual comparisons, failed 'gotchas,' and examples based on out-of-date information.

While many Canadians might instinctively agree that they would rather pay less for wireless services – like everything else – the claim that the market is uncompetitive would come as a surprise to anyone who listens to the radio and hears countless commercials for wireless services, each touting a new service innovation, a new device, or a promotional rate. The same goes for newspapers, TV, and outdoor advertising. At a basic level, if the market isn't competitive, then a lot of money is being wasted by a lot of companies trying to persuade consumers to choose them for their wireless needs.

One just has to visit their local shopping mall and count how many places they can get a phone and from how many different brands to appreciate how many choices they have. For example, at Ottawa's Rideau Centre, just blocks from Professor Geist's office, one can shop for a wireless phone at no less than thirteen different retail outlets: Apple, Bell World, Black's, Cellular X, Koodo Mobile, Rogers Plus, Tbooth

wireless, TELUS, The Source, Vidéotron, Virgin Mobile, WIND Mobile, and Wireless Wave. Other Ontario stores that aren't at the Rideau Centre include PC Mobile, Walmart, Best Buy/Future Shop, PetroCanada, the Sony Store, Public Mobile, and Mobilicity, to say nothing of a wide range of independent retailers and online stores. In fact it's hard to go very far without coming across somewhere you can buy wireless service.

By implausibly declaring Canada's wireless market uncompetitive in the face of this kind of practical reality, industry critics denigrate the efforts of the people who bring those choices to the market. They don't help the cause of the newer ones, either, by implying that there are only three players in the market. As commenters on online forums often point out, several brands are in fact affiliated with larger carriers (similar to how Koodo is owned by TELUS), but that doesn't seem to bother their customers, who appreciate the options that they add to the market.

But I think we all want to get beyond this kind of anecdotal evidence and look at real economic evidence – indeed, policymakers demand nothing less. In fact, that's exactly why we commissioned the Nordicity studies, and, as demonstrated below, Nordicity effectively debunked Professor Geist's own myths almost two years ago.

Before going through them one-by-one, it's worth noting as a general matter that some of Professor Geist's ten points simply don't apply to TELUS, and they don't apply due to the very factor that Professor Geist says is absent from the market: competition. We aren't like the other guys, and we want people to know it. We have brought several innovations to the Canadian market, including the Koodo tab model, which has been copied by many other carriers, and that trend of industry firsts continues to this day.

By listening to our customers and doing away with things that annoy them, we are further differentiating ourselves from the competition all the time. And it's not just in wireless services: our Optik TV service has proven enormously popular with consumers in British Columbia, Alberta and Québec (we now have over 678,000 total TV customers and growing) because it offers a superior alternative to conventional cable TV. We're also different in that we're not "vertically integrated" with content ownership and we never used "throttling" on our Internet service (where we have 1.3 million customers and growing, too). But let's stick to wireless and go through Professor Geist's points in order.

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1. Average revenue per user (ARPU) is high in North America because North Americans use their wireless devices more

Professor Geist starts by expressing the view that ARPU (average revenue per user) is the most important indicator of competitiveness and declares that "Canada is the most carrier-friendly market in the world as the carriers extract higher revenues from their users than any other country." Based on the mere fact that Canada and Japan share the highest ARPU levels on the CRTC chart that he cites, Professor Geist concludes that Canada is "a market sorely lacking in strong competition" But what of

Japan? Is Japan a market "sorely lacking in strong competition," too? Or one where people use their devices a lot, like Canada?

Does high ARPU equal high prices?

Right off the bat, Professor Geist confuses high ARPU with high prices. As a commenter on his own blog pointed out right away:

> If a family in Toronto spends $200 more on gas for their Toyota Corolla each month than a family in Montreal, does that mean gas is more expensive in Toronto? Of course not, you have to normalize usage before you can make a comparison, you have to look more deeply at the data.

Mr. Nowak makes the same kind of observation as Professor Geist in his March 18 blog post:

> The story here is clear. Canadian carriers lead the world in terms of monthly average revenue per user, at $60.79. That's 16 per cent higher than the United States ($51.61), 32 per cent higher than the developed world average ($43.79) and 76 per cent higher than Europe ($27.02). Moreover, as the graph on the right shows, Canada is only one of four countries seeing ARPU growing.

In spite of Mr. Fan's attempt to explain it, Mr. Nowak completely misses the connection between Canada's incredible smartphone penetration growth of almost 50% year-over-year and the fact that Canadian carriers' ARPU (and data ARPU in particular) are also growing. It makes sense that growing smartphone-based data usage should show up in growing data revenues. As Mr. Fan said, this should be a good news story, not a bad one: "We would argue that data ARPU growth driven by smartphone penetration growth is the sign of a healthy wireless industry".

Mr. Nowak also attempts to prove Mr. Fan wrong by observing that the Q3 2012 Bank of America Merrill Lynch (BoAML) Global Wireless Matrix data show that "Canada is in the middle of the pack in terms of how much of customers' bills are coming from data," which he reports at 38%, below the developed world average of 42%. Yet Mr. Nowak fails to acknowledge two things. First, the very same low overall wireless penetration rate that he emphasizes partly explains this issue, but more important is the fact that data as a percentage of service revenues among the top three carriers grew at an estimated rate of 38.2% year-over-year in 2012 (based on the first three quarters) according to the same report. BoAML also estimate that rate to grow to 44.5% in 2013.

You can easily see where growth like that takes you – eventually data revenue will dwarf voice revenue, and the phenomenon will presumably be particularly pronounced in countries with superior network infrastructure like Canada. It's worth noting that in Canada voice revenue isn't dropping nearly as fast as data revenue is growing, in part because Canadians actually talk on their mobile phones a lot – more than people in most countries, in fact.

We may be starting from a base of relatively low wireless penetration, but that is changing fast, as Canadians adopt the very best wireless devices and use them on our world-class networks. That's all being enabled by vibrant competition in the Canadian wireless market, not held back by a lack of it. If

the market is indeed uncompetitive, then I would be interested to hear Professor Geist and Mr. Nowak's explanations for the explosive growth in smartphone adoption and data usage that current reports like the BoAML Global Wireless Matrix prove beyond any doubt.

Convinced that he has discredited Mr. Fan's view that high ARPU is driven by high smartphone usage, Mr. Nowak next turns to churn data in an attempt to support his argument that Canada's relatively low (but certainly not world-low) average churn rates are "indubitably the result of three-year contracts." But Mr. Nowak makes at least two questionable statements in a chain. First, he says that countries with strict rules on contract length and device locking "typically come in low in ARPU comparisons." I don't know whether that's true or not, but it doesn't matter because Mr. Nowak goes on to confuse ARPU with prices again when he says that that "indicates a strong correlation between high monthly prices and low churn." It doesn't indicate any such thing. Mr. Nowak hasn't provided any evidence on the relationship between prices and churn.

A strong correlation between high prices and low churn? In what countries have high prices been shown to discourage consumers from switching providers? Given the array of competing carriers offering different (and historically lower) prices in Canada's wireless market, is it really Mr. Nowak's thesis that consumers who are unsatisfied with what their current provider is charging are *less* likely to leave? Perhaps he is arguing that they are less *able* to leave, because they are "locked in" by three-year contracts and an inability to unlock their phone. This is another allegation that simply does not apply to TELUS and for that reason ends up proving the opposite of what the author is trying to show.

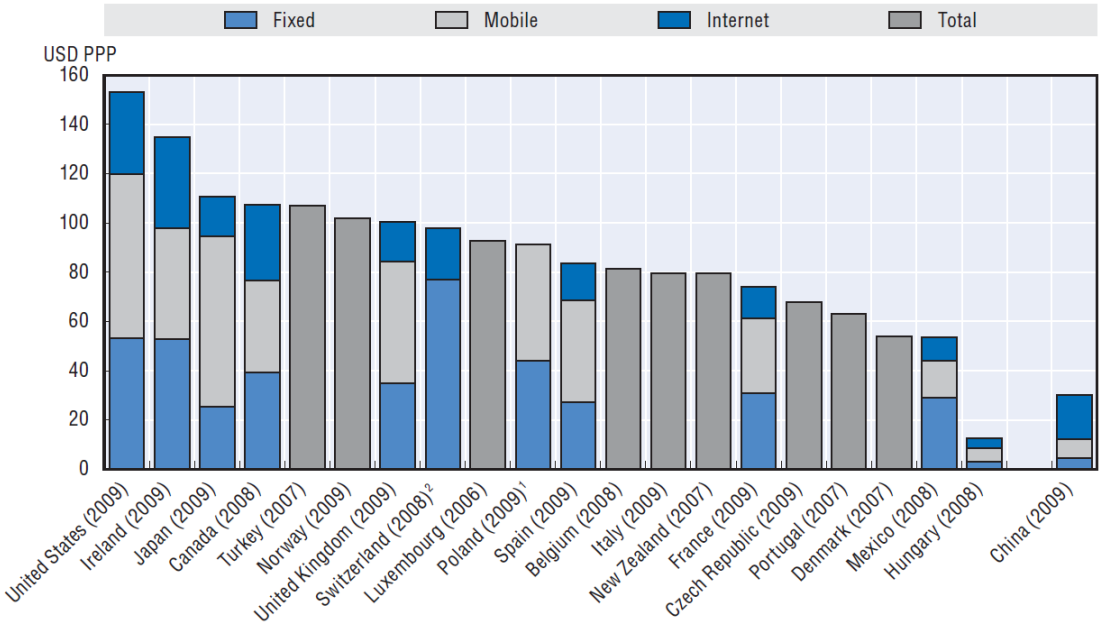
Since moving to our simple Device Balance approach in 2010 (which is the rule in Québec and will soon become the rule nationwide), TELUS customers can leave anytime they like by paying off the remaining device subsidy amount shown clearly on their bill. Our customers can also have their devices unlocked for the very competitive fee of $35 (as discussed at item 7 below). TELUS customers are not "locked in" the way Mr. Nowak describes, and yet we have the lowest churn rates and among the highest customer satisfaction ratings in the industry. How would Mr. Nowak account for that, since our ARPU is also high? Does this prove that our prices are in fact low, since Mr. Nowak says there is correlation between prices and churn? I'm not willing to reach that far without more supporting data, but such a statement would certainly be in line with the kind of logic that we frequently hear from industry critics.

Do Canadians spend relatively more or less on wireless services?

Perhaps by saying that ARPU appears high in Canada, Professor Geist is trying to say that Canadians spend more on wireless services than people in other countries. If the statistics showed that we do, as a proportion of their household budgets, it would not be surprising to an economist, given that we consume more communications services than almost anybody in the world (see below). But they don't.

Figure 8.7 in the 2011 OECD report shows that in 2009, Canadians spent the fourth most on communications services among 20 countries (albeit comparatively less on wireless).

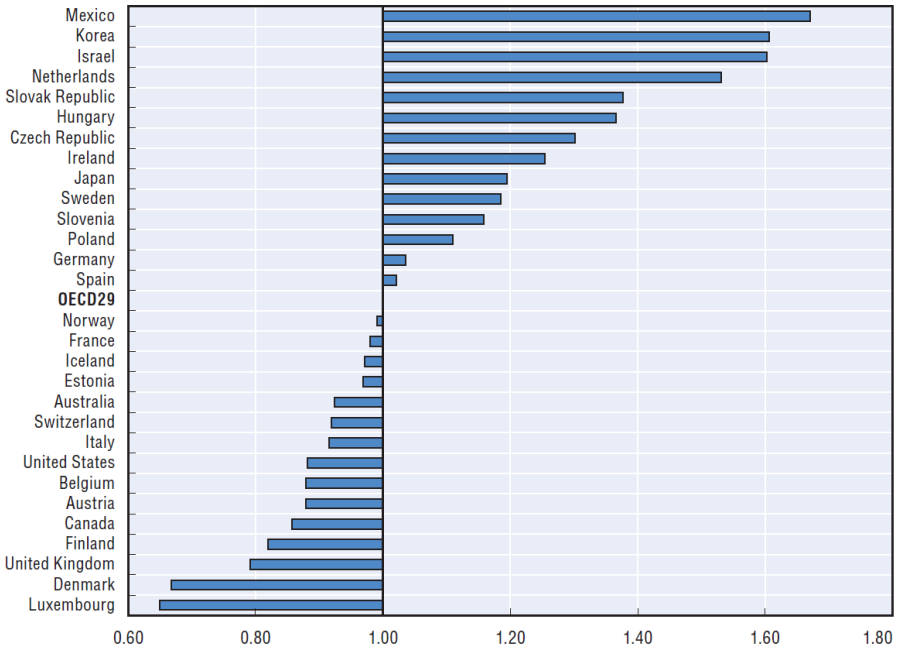
Figure 8.7. **Monthly household expenditures on communications in OECD, 2009**



Does that mean that communications prices in Canada are the fourth-highest in the OECD? No. In fact, Figure 8.2 shows that Canadian households spent the *fifth least* out of 29 countries on communications expenditures (which includes telecom equipment and services as well as postal services) in 2009, well below the OECD average.

Figure 8.2. **Relative communication expenditures[1] by households in OECD countries, 2009**

Relative propensity index[2]



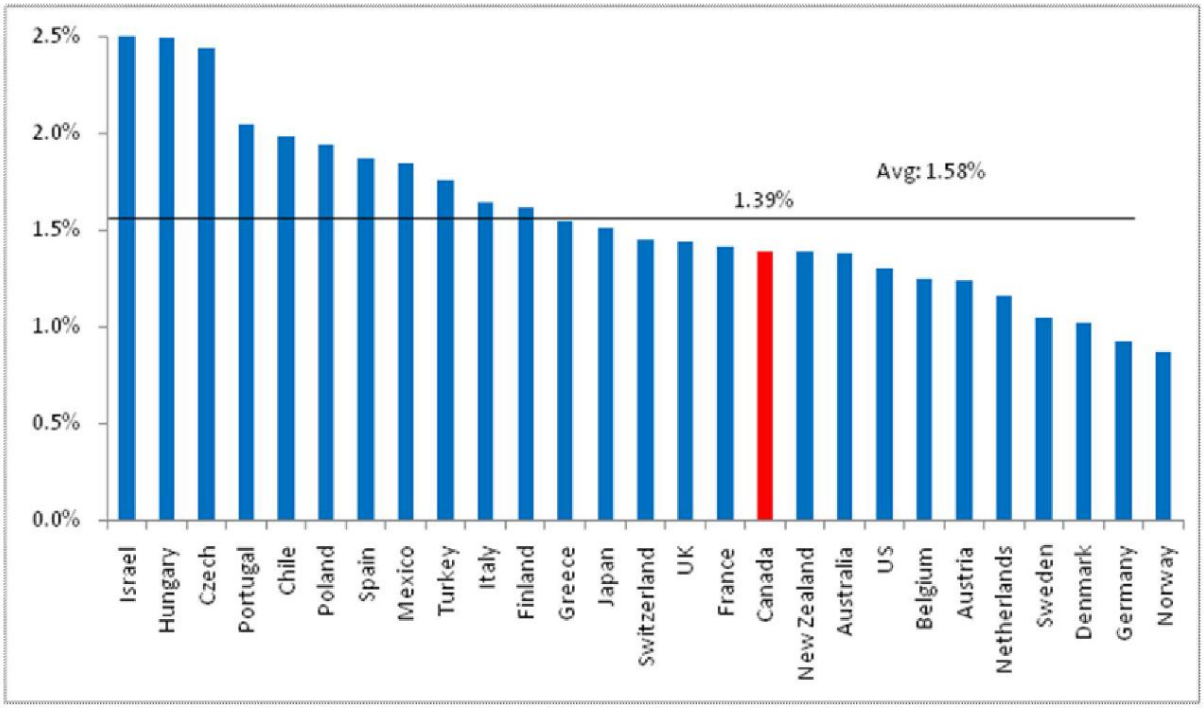
In fact, the OECD concludes: "Communication expenditures as a percentage of total household spending are now stagnating in Canada and France while still growing in Japan…" (page 331).

So while Canadians might spend a lot on communications services because we use them a lot, as a percentage of household expenditures we actually spend significantly less than the OECD average. Nordicity compared prices against per capita income in its June 2011 revised report with similar results. Nordicity explains why this comparison is necessary:

> **The OECD rankings do not fully compare wireless costs in relation to average income:** The OECD rankings are presented in terms of purchasing power parity in $US to equalize the costs based on the purchasing power in each country. However, the OECD rankings do not otherwise reflect wireless costs in relation to average annual earnings.
>
> The failure to compare wireless costs in terms of a percentage of average income results in misleading data. For instance, average wireless costs in Turkey are significantly less than those in Canada, but the average annual income in Canada is nearly three times greater than it is in Turkey. Figure 14, therefore demonstrates the relative affordability of wireless service.

Nordicity shows that the average Canadian spend on wireless services was in fact below the OECD average in 2011:

Figure 15: Average Total Wireless (voice and data) Revenue Per User as a Percentage of Per Capita Income[15]



This kind of context is essential when comparing prices in different markets, but perhaps not if the results don't fit with one's preconceived notions.

Do Canadians get more utility out of their wireless services?

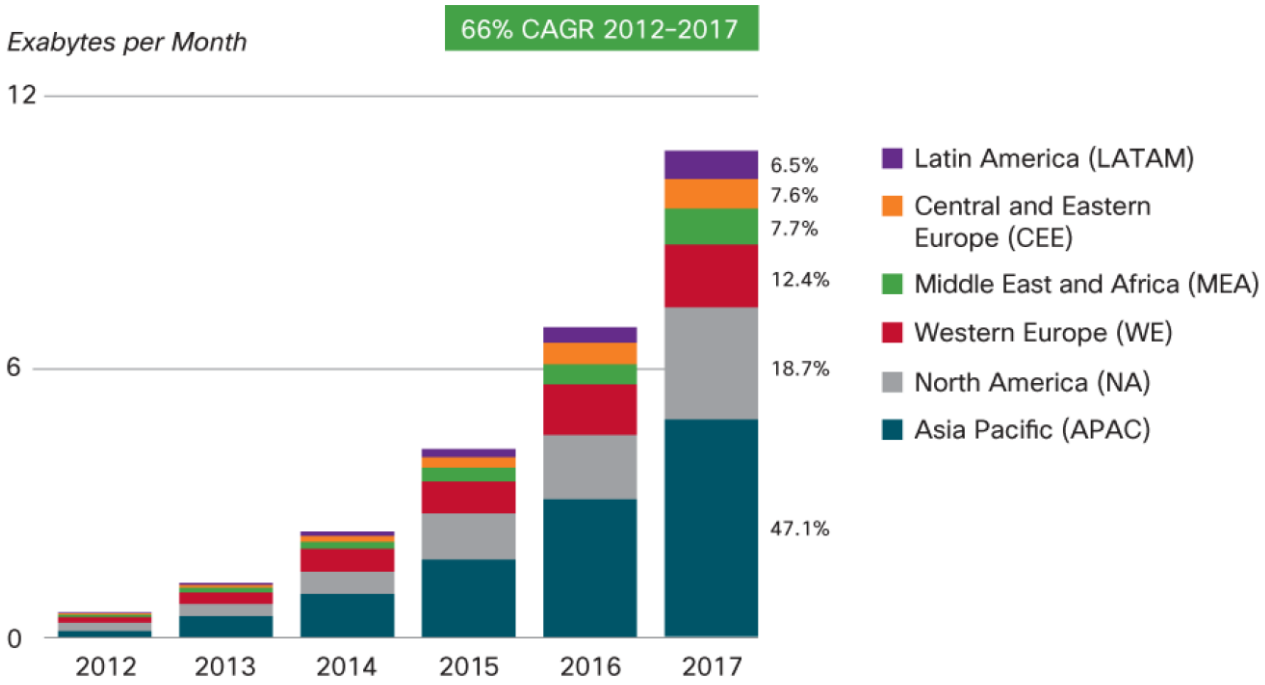
As noted above, one of the facts that our industry's critics just can't bring themselves to acknowledge is that North Americans, and Canadians in particular, *use* their mobile devices more than just about anybody in the world.

This is consistent with evidence that North Americans also use the Internet more than people elsewhere, as Comscore confirms every year in its "Digital Future in Focus" reports. In this year's report on Canada, we went from #1 to #2 in average time spent online (41.3 hours per month, vs. 43 in the U.S.) and consumption of Internet video (24.8 hours per month, vs. 30.4 in the U.K.). On March 8, 2013, International Women's Day, Comscore released a chart showing that American, Canadian and British women spend far more time online than women in any other country.

The 2011 OECD report shows that Canadians use their wireless devices more than most people in the world, too. Figure 3.14 shows that in 2005 (the last year for which Canadian data are available), Canadians placed more calls on their mobile phones than the citizens of all but one country – way more. The other country? The U.S., whose usage patterns were roughly equivalent to Canada's throughout the years surveyed, such that it's safe to assume that if 2009 or newer data were available for Canada, the trend of Canadians and Americans making way more mobile phone calls than anyone else would have continued. (If there are more recent data on usage, I would be grateful for a pointer to them).

But that's voice (which is generally in decline around the world) – what about data? In its "Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2012–2017," telecom equipment manufacturer Cisco shows that North America currently leads the world in mobile traffic, though the Asia Pacific and Western European regions are projected to grow their shares in the future.

Figure 2. Global Mobile Data Traffic Forecast by Region



Source: Cisco VNI Mobile Forecast, 2013

Cisco notes that global mobile traffic grew by 70 per cent in 2012, with 51 per cent of that traffic being video, which in itself highlights the importance of looking at the most up-to-date statistics available.

There is clearly a correlation between increased data usage and larger monthly bills – that's intuitive to consumers based on their experience with any product or service. It is unclear why the industry's critics expect the opposite to be the case. Perhaps unaware of the tremendous growth in data usage that is currently being driven by Canadian consumers using their newer and more capable smartphones more and more, the critics want consumers to pay less for increased usage, not more, but consumer product and service markets don't typically work that way.

The Cisco and OECD data suggest that Canadians get more *utility* (or value) from their communications services than people elsewhere. While it is intuitive to consumers that what they use more, and what they get more value out of, they pay more for, the OECD data indicate that Canadians in fact spend less on communications services than the OECD average compared against both total household expenditures and per capita income.

Is Canada's high rate of smartphone usage a good thing or a bad thing?

Canadians love watching Internet video and they are watching it on mobile devices more and more. As explained below, Canada has among the highest smartphone penetration rates among wireless subscribers in the world, and a faster rate of growth in smartphone adoption than the U.S. and Europe, so it stands to reason that we have among the highest rates of smartphone usage (and growing) among those who subscribe, as well.

These very real factors are driving enormous demand for bandwidth and therefore investment in network facilities. Given that they appear to be unaware of the incredible rate of growth in smartphone adoption, Mr. Nowak and Professor Geist might well wonder why Canada's wireless carriers are investing so much in their networks if their customers use them as sparingly as they seem to believe.

As Mr. Fan explains, "Data ARPU growth has been driven solely by smartphone penetration and not pricing. We would argue that data ARPU growth driven by smartphone penetration growth is the sign of a healthy wireless industry." Should it be a surprise that Canadian carriers (like American) experience high data-related ARPU when North American consumers are among the most voracious wireless data users in the world? Professor Geist either doesn't see the connection or would prefer that his readers didn't know about it. We return to the issue of smartphone penetration in items 6 and 9 below.

---

2. Canadian wireless prices are about average compared to peer countries, in spite of higher costs

Not surprisingly, the rigour of Professor Geist's analysis is equally disappointing with respect to international price comparisons, but unfortunately that is common among industry critics.

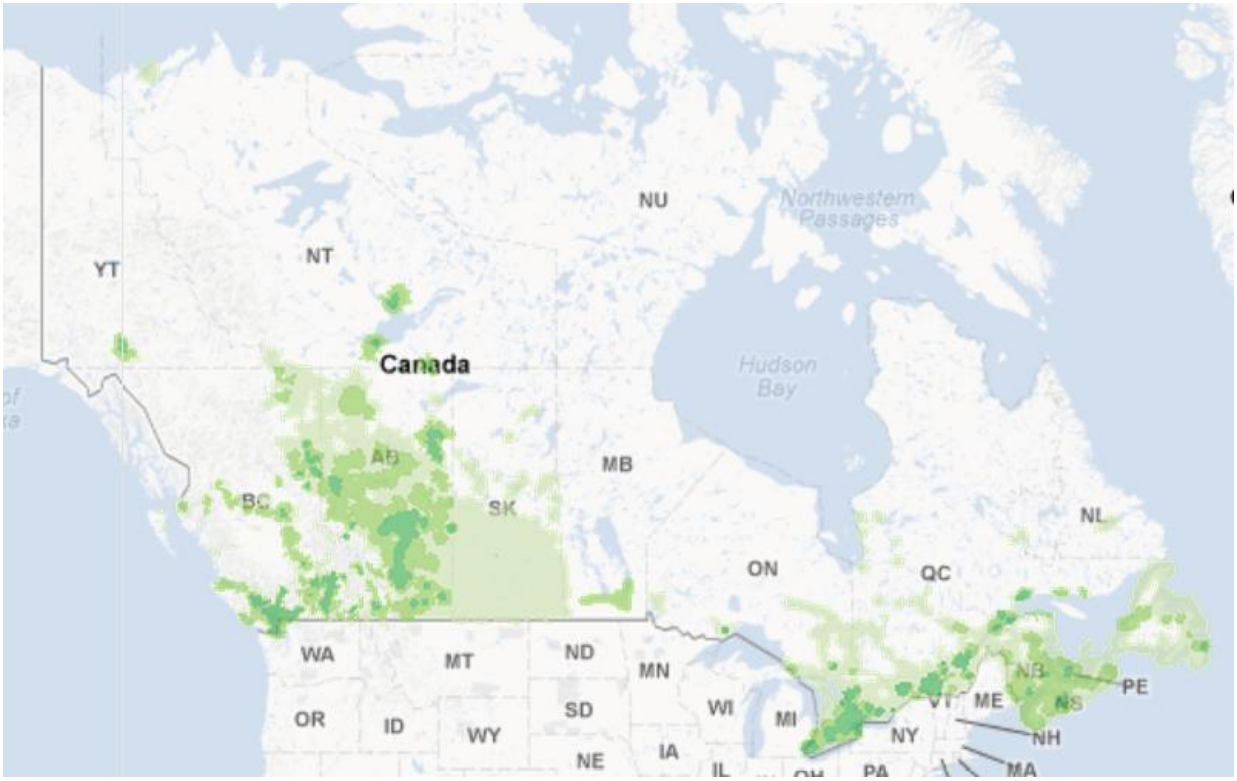
He starts by implicitly accepting Mr. Fan's evidence that average Canadian prices are lower than American but goes on to note that a chart in the CRTC's "Communications Monitoring Report 2012" showed that Canadian wireless prices for the average user, for example, were higher than those in three comparator countries on a chart (Australia, U.K., and Japan), and lower than those in the other two (France and the U.S.). This is consistent with industry claims that Canadian wireless pricing falls right at about the average among 'peer countries': more expensive than some and less expensive than others.

We don't claim that Canadian wireless prices are among the lowest in the world – it stands to reason that they aren't. Canada is a huge country with a high standard of living, a high GDP, and consumers who use smartphones a lot. Canada also has the world's second-largest land area and yet we have some of the best wireless network infrastructure anywhere, with 4G HSPA+ networks reaching more than 97% of the population. TELUS' 4G LTE network alone reaches more than 70% of the Canadian population, and growing every day (literally).

Are costs relevant to pricing?

Our industry's critics often dismiss Canada's size, topography, and climate as factors in the costs of building and maintaining wireless networks. They argue that despite the country's size, most people live within a narrow strip along the American border, and many of those in large cities.

One merely needs to look at a wireless network coverage map (like TELUS' below) to see where Canadians actually live and work, and it's not just a narrow strip along the U.S. border. While it's true that carriers don't have to cover the entire country, the total area of the country that we do cover – about 20% – is still significantly larger and less densely populated than many entire countries.



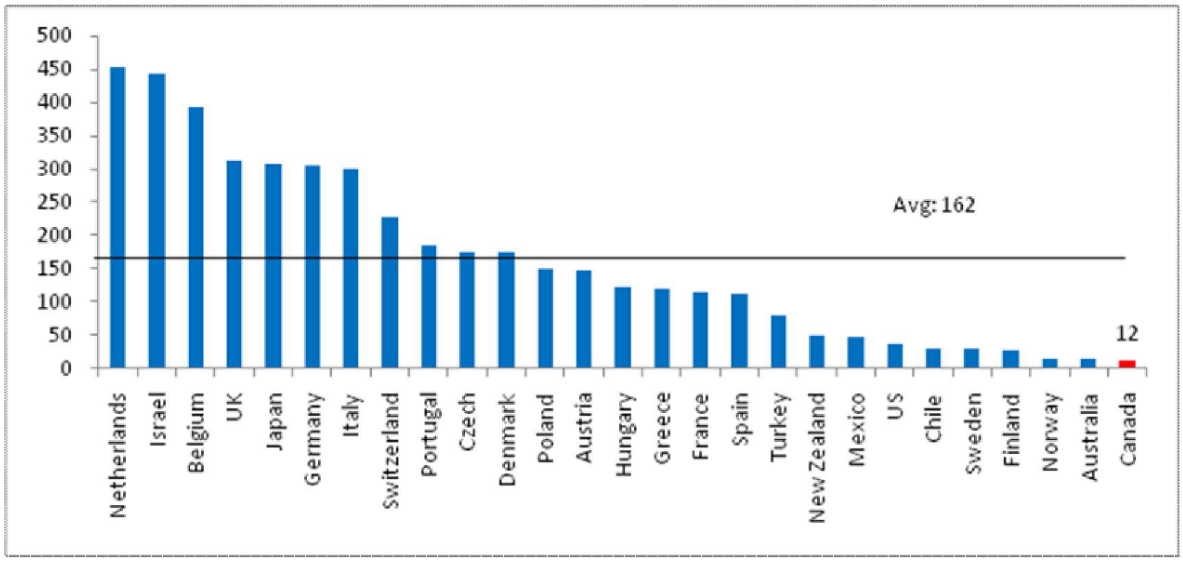
Nordicity addressed this point in its revised 2011 report:

> [E]ven though only 20% of Canada's geographic area needs to be covered to provide wireless service to more than 99% of Canadians, the population density within the landmass covered by the wireless network – 16.9 people/km^2 – would rank as the 200th least-densely populated country in the world.
>
> Europe is another story. The most densely-populated network – the Netherlands – has 453 subscriptions per square kilometre. Overall, the combined networks [covering] the 18 European countries profiled in this report serve on average 131 subscriptions per square kilometre.

As Nordicity explains, "Canada has the fewest wireless subscriptions per square kilometre of all of the profiled OECD markets, making it one of the most unattractive OECD countries in which to deploy a wireless network." Professor Geist was perhaps not considering this fact when he declared Canada "the

most carrier-friendly market in the world." The next time you hear someone talk about how wireless prices are lower in the Netherlands, consider this chart:

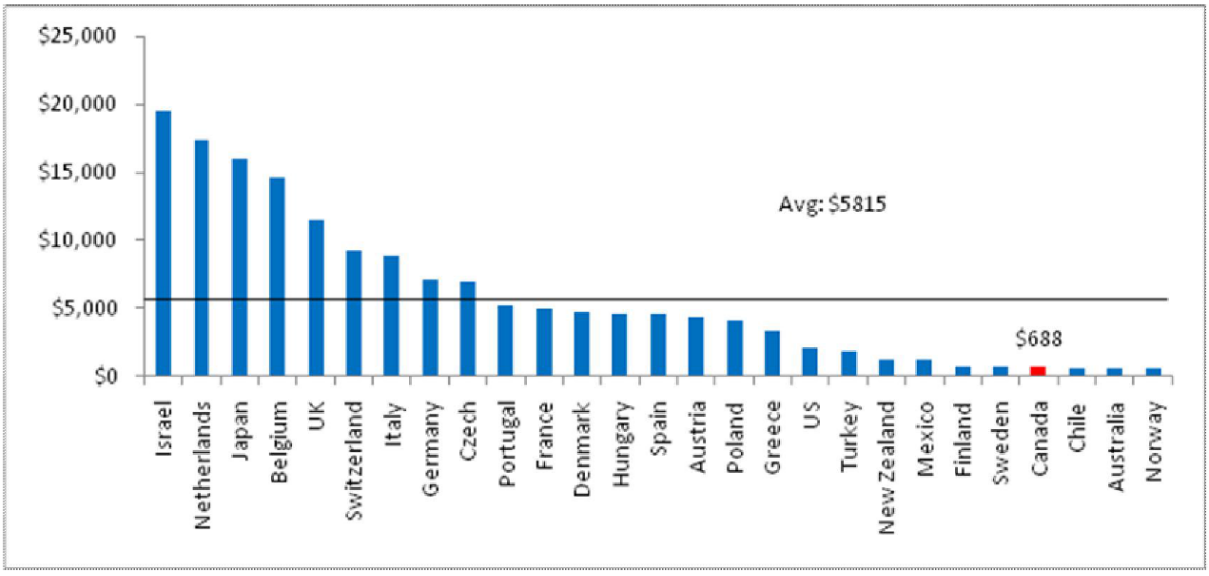
Figure 19: Wireless Subscriptions per km² of Wireless Network[18]



Nordicity goes on to explain that:

> Generally, the fewer subscribers available per square kilometre, the lower the potential revenue and thus return on investment. Naturally, geographic and population density challenges often translate directly to higher wireless prices. It is no coincidence then that the Netherlands, Belgium and Germany, which have three of the six highest subscription-to-km^2 ratios, also have three of the seven lowest wireless cost-to-per capita income ratios.
>
> There are, of course, exceptions. Although Canada has the lowest subscription-to-km^2 ratio, it maintains a below average wireless cost as a percentage of capita income ratio.
>
> Canada's limited number of subscriptions per square kilometre of wireless network translates to the fourth-lowest monthly voice revenue per square kilometre of all developed wireless markets. At $513 of monthly voice revenue per square kilometre, it falls more than $3,600 below the international average.
>
> Canada similarly has the [fourth]-lowest total wireless (voice and data) revenue per square kilometre of network, $5127 lower than the international average. Canada's $688 of total wireless revenue per square kilometre is greater only than in Chile, Australia and Norway. It is impressive then that this revenue is generally shared between at least three wireless providers, often more. That equates to roughly $230 per carrier per month when split evenly between Canada's three national wireless providers. At the other end of the spectrum is the Netherlands, which has only three wireless providers total, resulting in $5,802 per provider per square kilometre.

Figure 21: Average Total Wireless (voice and data) Revenue (Monthly, $C PPP) Per km[220]



Think about starting your own business – any business – and having to build facilities within a few kilometres of just about every citizen of both Canada and the U.K., whose total land area is 41 times smaller than that of Canada (243,610 km^2 vs. 9,984,670 km^2) and whose population density is 75 times greater (255.6 per km^2 vs. 3.41 per km^2). Would you expect your capital and operating costs to be higher in Canada? If so,how would you expect to recover those additional costs? Would the fact that Canada also has about half as many citizens as the U.K. (33,476,688 vs. 63,181,775) be relevant?

While Professor Geist disagrees, the reality is that the peer country that matters most for the purposes of economic analysis of Canadian performance is the U.S. (although its ten-fold greater population and higher GDP must still be taken into account). Comparing Canadian prices with those in countries with low standards of living, high population densities, and/or forgiving topographies and climates simply isn't helpful. This is why Mr. Fan compared Canadian prices to American.

What do the most recent OECD data show about Canadian wireless prices?

As Mr. Nowak notes, comparing plans and prices across many countries is inherently difficult. While there are other rankings, the ones that most consider authoritative are the OECD's, in part because the data in them are supplied in cooperation with the countries themselves. As I said above, TELUS has had its share of beefs with the OECD rankings in the past, but they seem to be improving, and hopefully the 2013 report expected in June will be even further improved.

Nonetheless, the 2011 OECD report doesn't fairly or accurately characterize the Canadian market due to serious shortcomings in their survey methodology, as Nordicity explains:

> In 2010, the OECD mobile price rankings were amended to more accurately reflect the variance in cell phone usage throughout the OECD. To do so, the OECD increased the number of calling profile baskets

from three (low; medium; and high usage) to six (30 calls per month; 100 calls per month; 300 calls per month; 900 calls per month; low-usage pre-paid; and SMS only). But although the calculation was adjusted to be more inclusive, the typical Canadian cell phone user is still poorly represented.

As Figure 1 illustrates, Canada's average calling volume of 375 minutes per month is well above (by 187 minutes) the OECD's 100 Calls Basket, and well below (by 194 minutes) the OECD's 300 calls basket. There is no other calling basket that comes closer to representing average Canadian call volumes.

Figure 1: OECD Monthly Wireless Baskets and Canadian Average Comparison[2]

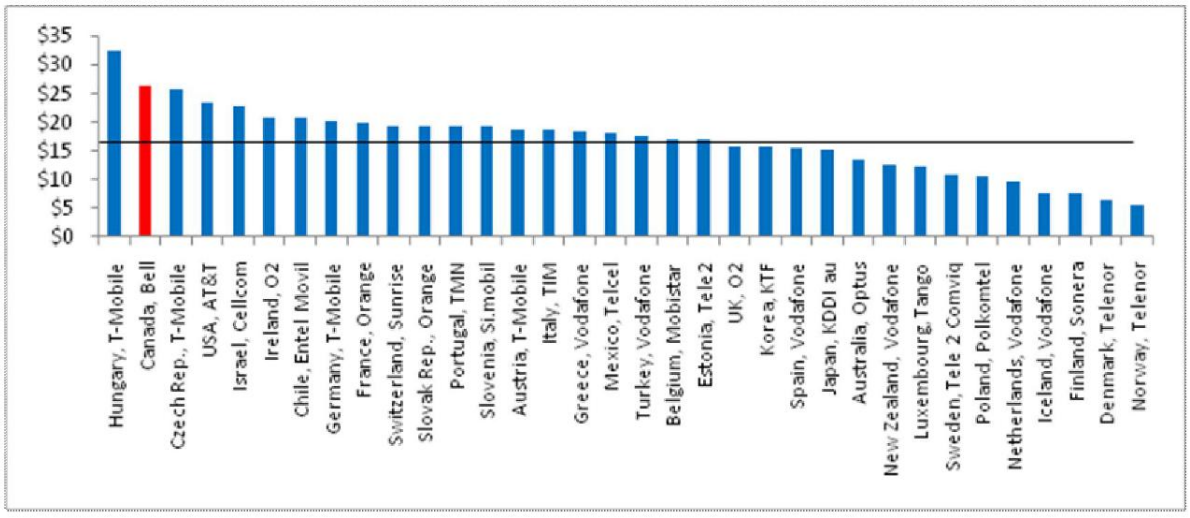
Basket	Minutes Per Month
30 Calls Basket	50
100 Calls Basket	188
Canada	**375**
300 Calls Basket	569
900 Calls Basket	1787

With those caveats in mind, let's look at what the 2011 OECD report said about Canadian wireless prices compared to other OECD member countries. We'll use Nordicity's charts, but readers are encouraged to consult the OECD's charts if they prefer. They start at Figure 7.10 on page 260.

The low usage basket, for which the only plan from Canada was from Bell's now-defunct Solo brand shows Canada as the second-most expensive:

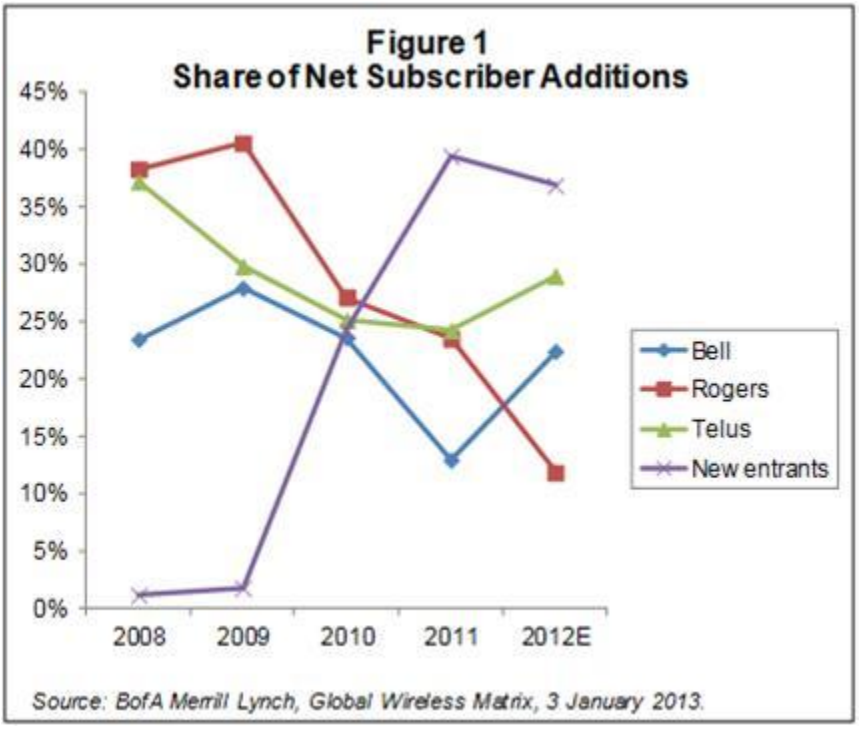
30 Calls Basket: Canada (based on Bell's *So Low 20 + Message Centre Express* plan) ranks 33rd out of 34 countries included in the OECD rankings in the 30 Calls basket.

Figure 2: OECD Wireless Price Ranking, 30 Calls Basket ($US PPP)[3]



While that chart would be enough for some critics to declare that Canadians pay the second-highest wireless prices in the world, it's worth noting three things. First, it must be remembered that about half of European wireless users pay for two or more subscriptions (as explained by Nordicity in Section 3.2, "Per-subscriber (Not Per-subscription) Costs"), such that the price of a given plan doesn't tell you what the average low-use European subscriber actually pays for wireless services in a given month. Second, the low-usage basket is not representative of average Canadian usage, as Nordicity explains above (50 vs. 375 minutes per month), so more weight should be placed (in spite of the known weaknesses of the OECD rankings) on the other baskets discussed below. Third, OECD survey data did not include low-priced plans from Koodo, WIND, Mobilicity, Public Mobile, or other competitors.

The OECD, like Professor Geist and OpenMedia, doesn't seem to think the new entrants count, but consumers certainly do. In the CRTC wireless proceeding, Bell filed this chart showing the share of net subscriber additions across most of the industry in recent years:



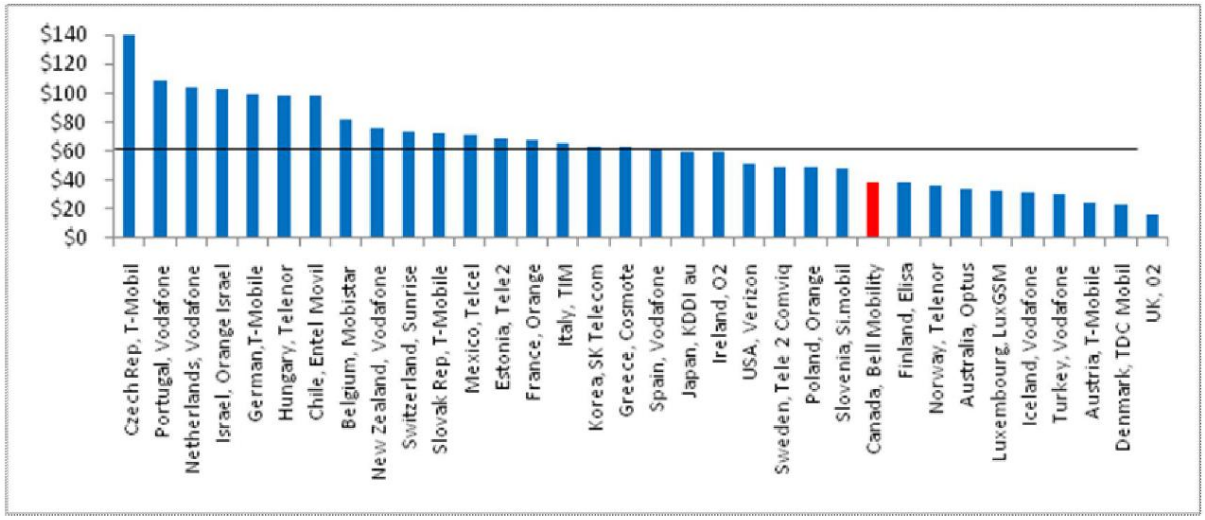
Professor Geist's analysis of the industry is that the new entrants are not having much impact, but this chart, based on the most current and authoritative (albeit proprietary) market data, tells a different story. Does it depict "a market sorely lacking in strong competition"? That statement must have come as news to WIND Mobile, for example, which recently announced that it has almost 600,000 subscribers.

This is not to suggest that all those new entrant "new adds" would fall into the OECD's low usage basket either, but rather that if their current offerings (and ours, for that matter) were represented in the OECD's survey, Canada's showing in the low-usage would probably have improved markedly. But let's move on to baskets that are more relevant to Canada.

As usage assumptions go up and get closer to average Canadian usage, our relative standing improves.

300 Calls Basket: In the 300 Calls Basket, Canada (based on Bell's *Solo Unlimited Talk + Message Centre Express* plan) ranks 10th overall and is more than 60% below the OECD average.

Figure 4: OECD Wireless Price Ranking, 300 Calls Basket ($US PPP)[5]



Once again, even though there are over thirty wireless brands in Canada, this chart is only based on one plan from one brand (which isn't even accepting new customers anymore). No new entrant plans, and no plans from any of the following other than Bell (and Rogers, in the pre-paid baskets):

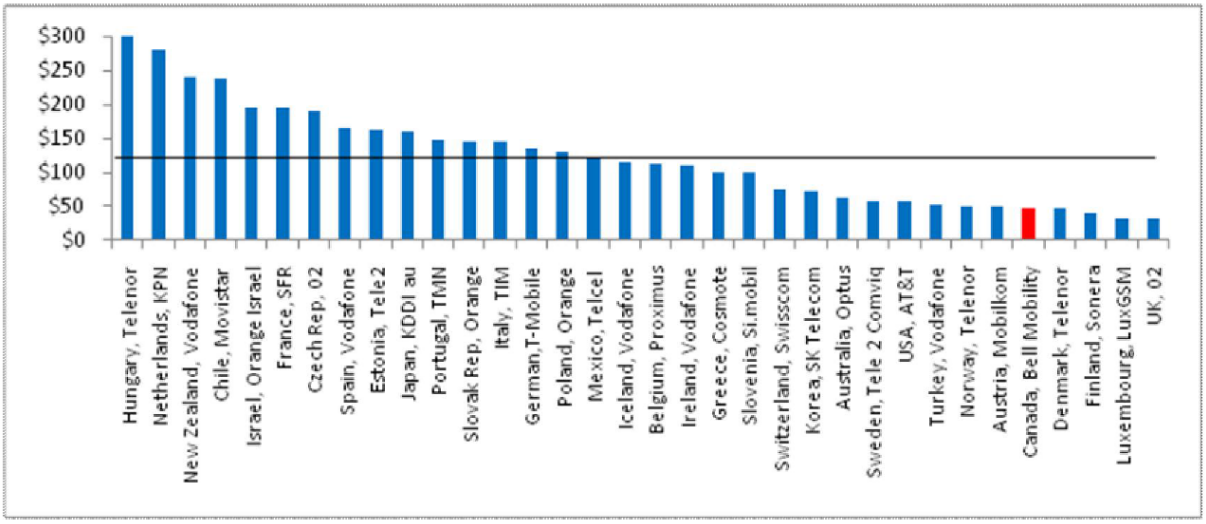
- Bell – http://www.bell.ca
- Cityfone – http://www.cityfone.net
- CityWest – http://www.citywest.ca
- Dryden Mobility – http://www.dmts.biz
- EastLink – http://www.eastlink.ca
- Fido – http://www.fido.ca
- Ice Wireless – http://www.icewireless.ca
- KMTS Mobility – http://www.kmts.ca
- Koodo Mobile – http://koodomobile.com
- Lynx Mobility – http://www.lynxmobility.com
- MTS – http://www.mts.ca
- Mobilicity – http://www.mobilicity.ca
- Nexicom Mobility – http://www.nexicom.net
- NorthernTel – http://www.northerntel.ca
- NMI Mobility – http://www.nmi.ca
- PC Mobile – http://mobile.presidentschoice.ca
- Petro Canada Mobility – http://mobility.petro-canada.ca

- Primus – http://www.primustel.ca
- Public Mobile – http://www.publicmobile.ca
- Rogers Wireless – http://www.rogers.com
- SaskTel – http://www.sasktel.com
- Sears Connect – http://www.searsconnect.ca
- 7-Eleven Speak Out Wireless – http://speakout7eleven.ca
- Sogetel – http://www.sogetel.com
- TBayTel – http://www.tbaytel.net
- Telebec – http://www.telebec.com
- TELUS – http://www.telusmobility.com
- Videotron – http://www.videotron.com/service/wireless
- Virgin Mobile – http://www.virginmobile.ca
- Wightman Telecom – http://www.wightman.ca/
- Wind Mobile – http://www.windmobile.ca

But the 300 Calls basket still doesn't represent average Canadian usage, which Nordicity pegs at 375 minutes per month in the surveyed period. So let's look at the OECD's next largest basket, 900 Calls.

900 Calls Basket: In the 900 Calls Basket, Canada (based on Bell's *Solo Unlimited Talk + Message Centre Express* plan) ranks as having the 5th-lowest prices in the OECD, more than 2.5 times lower than the OECD average.

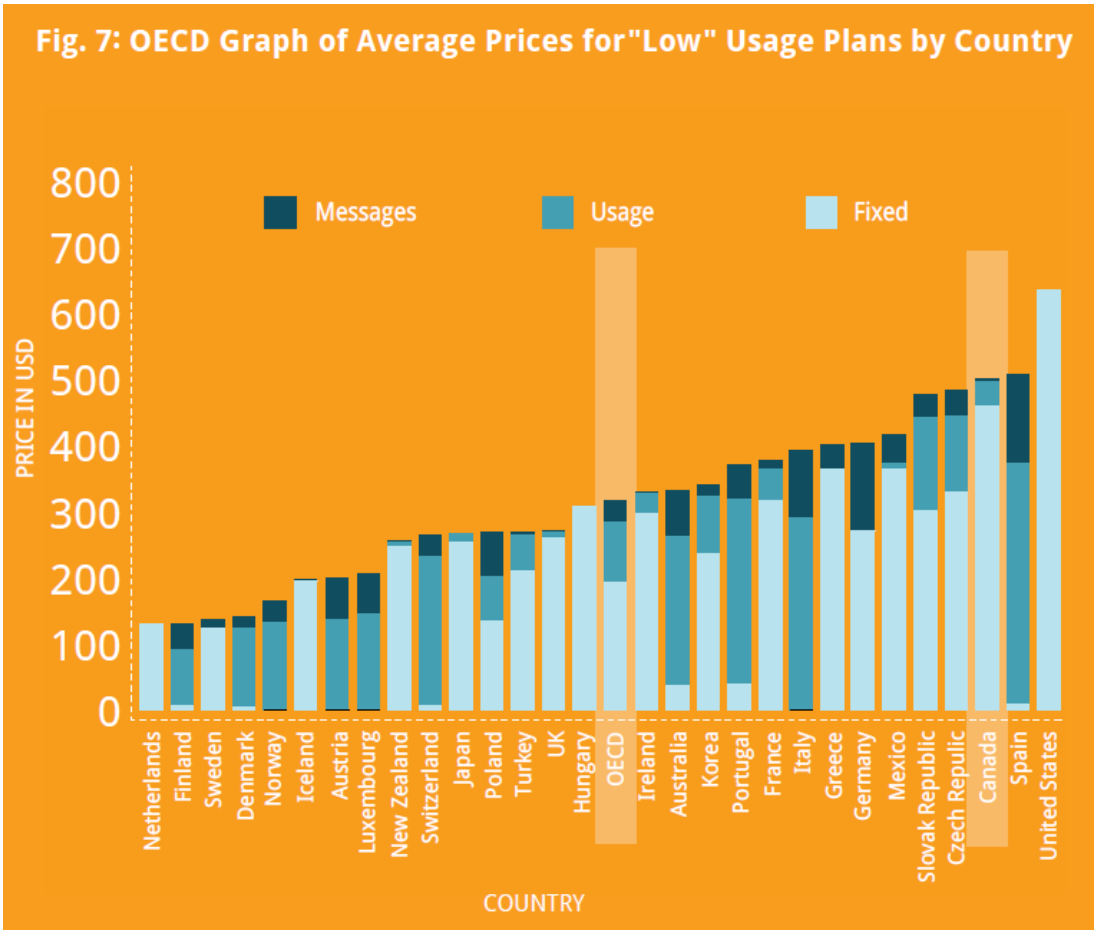
Figure 5: OECD Wireless Price Ranking, 900 Calls Basket ($US PPP)[6]



Even using the OECD data for Canada, such as it is, a fair representation of Canada's ranking would probably fall somewhere between where it is on the 300 and 900 Calls charts, which is to say well below the OECD average. It's worth noting that these charts were based on survey data from 2010, while the

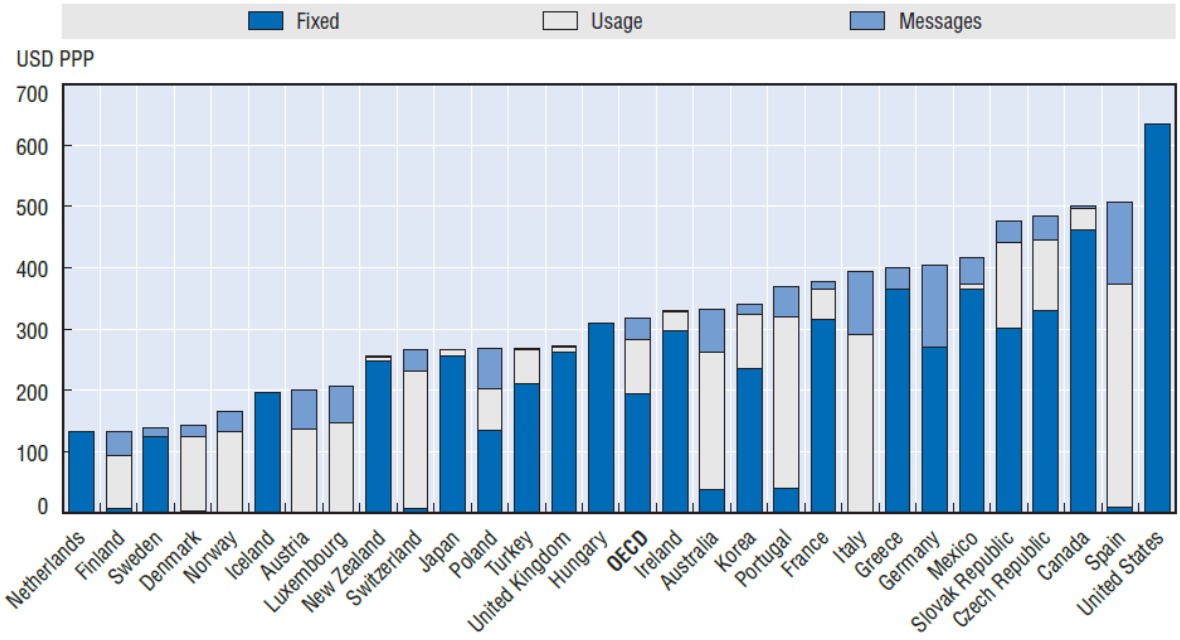
2013 report will be based on 2012 survey data (and presumably for a different Canadian carrier – and hopefully more than one).

Unbelievably, OpenMedia chose to use the *2009* OECD data to produce this chart in their new report:



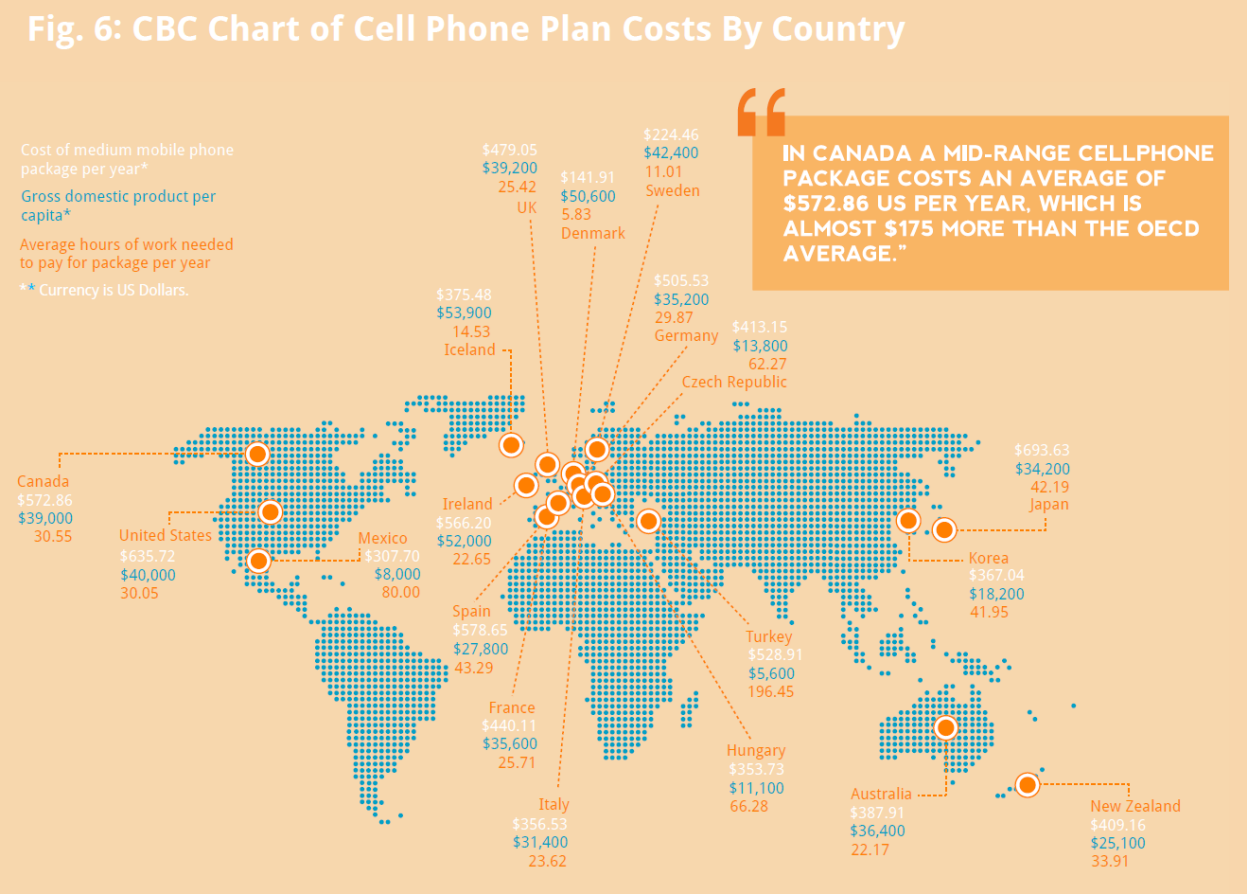
It appears to be based on this chart from the "OECD Communications Outlook 2009" report:

Figure 7.10. **OECD mobile medium-use basket, August 2008, tax included**



Why would OpenMedia use data from August 2008 in a 2013 report designed to show that Canada's wireless market is "broken"? Does OpenMedia truly believe that nothing of importance has happened in the wireless market in the past five years? Or have they simply chosen not to use the more current 2011 data because doing so would not just undermine, but completely disprove their claim that Canadians pay some of the highest wireless prices in the world?

Instead of listening to constructive criticism to this effect, OpenMedia has chosen to double down on the 2009 data by frequently touting this CBC.ca infographic:



The problem is that the CBC, too, used the 2009 OECD data to produce the above chart in 2010. Undeterred by its irrelevance, OpenMedia has gone further and produced this simplified snapshot, which it pushes aggressively in social media:

There are simply no other words for this infographic than misleading and deceptive. I challenge OpenMedia to re-issue it using the 2011 OECD data, and then again using the 2013 OECD data.

Now, I've had enough experience with OpenMedia's tactics to anticipate that they might try to turn that into: "TELUS calls Canadians misleading and deceptive," so let me be clear, once again: the bulk of OpenMedia's report is based on real complaints brought forward by real Canadians in response to OpenMedia's invitation to its community members to relate their worst "cell phone horror stories". It's the chapter on international comparisons that is the problem. Surely all those Canadians who shared their stories deserve to have them reported in a document that fairly and accurately deals with relevant data, and doesn't actively seek to subvert the truth.

Before getting on to the first of Professor Geist's three unsupportable claims of 'gouging,' let's return to his last "proof point" on prices in peer countries. He says:

> Moreover, last August the U.S. Federal Communications Commission released its third annual International Broadband Data Report, which compares broadband services as required by a U.S. law. Canada ranked 26th out of 37 countries for the cost of smartphone data based on plans with usage limits. Canada did not even rank in a comparison of countries with no usage limits since no such plans could be found. In other words, concerns that Canadian prices are high is no myth.

If this one FCC chart is to be taken as proof of which countries have the highest smartphone data prices in the world, then Canada can be proud that we have lower prices than the U.K., France, the Netherlands, and nine other countries. But of course it's just one chart and it's unclear how many carriers and offers were even surveyed in which countries. Yet Professor Geist is willing to state that it proves that "concerns that Canadian prices are high is no myth". One presumes that he will alert the British, French, Dutch and others that they are being 'gouged' because they are paying more than Canadians, despite their much smaller land areas and much higher population densities.

As for the prevalence of unlimited data plans, Professor Geist might also be surprised to read this statement by Cisco: "First introduced in 2009 and 2010, the majority of mobile users have now been migrated to tiered plans. Many operators across the globe have eliminated unlimited data plans." (at page 4). If the FCC re-did that chart today, there would likely be even fewer countries on it.

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3. TELUS does not charge carrier 911 fees

Some of the sloppier work in Professor Geist's piece is in the section on Enhanced 911 fees. He states:

> A clear indication of an uncompetitive market are fees to consumers that are relatively uniform across the major carriers but that bear no relationship to actual costs (in a competitive market, carriers might be expected to reduce those fees to closer to actual costs in order to lower prices and attract more consumers). For example, the incumbents all charge their subscribers 75 cents per month for enhanced 9-1-1 services.

This statement is simply false, and would have taken very little research to verify. TELUS has not had a carrier 911 charge on new plans since Fall 2009 (i.e., over three years ago), when we adopted our Clear and Simple pricing and plans. Professor Geist's fanciful calculation of "an extra $180 million in annual revenue after costs" is therefore also wrong. What else was he wrong about in his attempt to find examples of 'gouging'? Lots.

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4. TELUS has been able to slash international roaming charges since going HSPA

The pattern of using out-of-date reports to prop up unsupportable rhetoric continues in Professor Geist's section on roaming fees. OpenMedia cites the same early 2011 OECD report in its own. There's no denying that the Canadian roaming charges reported in that report were high, but we know the report is no longer accurate (if it ever was) with respect to TELUS. We know because we significantly reduced our international roaming rates in June 2011. Media reports at the time even included that news.

We didn't just decide to do this one day, we were able to do it because building a GSM-compatible network allowed us to break Rogers' monopoly on inbound GSM roaming and renegotiate our roaming rates with carrier partners all over the world. TELUS and Koodo customers enjoy the best roaming rates we can negotiate in foreign countries (most of which are not nearly as competitive as Canada), and benefit from an extensive suite of usage notifications, usage blocks and "bill shock" protections.

We provide lots of information about travelling to the U.S. and internationally on our website and saving on roaming fees is as easy as texting "SAVE" to 7626 at any time. As a Fido customer recently found out too late, TELUS protects its customers from unexpected data roaming bills by blocking data when the account reaches $200 in charges (and again at several subsequent thresholds, assuming the customer confirms by text message at each threshold that he or she wants to continue data roaming).

While Professor Geist is right that Rogers appears to charge much more for pay-per-use roaming in Mexico than TELUS – six times more – that does not justify his blanket statement that roaming fees in Canada are uniformly high. We hope that more customers will learn about TELUS' competitive roaming rates and bill shock protections, but it doesn't help when influential columnists like Professor Geist tell consumers that all carriers charge the same high rates. He calls out Rogers for its $30 per MB pay-per-use rate in Mexico, but not WIND's $20 per MB rate, nor TELUS' $5 per MB rate (which can be brought down even further by buying a travel pass).

There's no question that international roaming rates can be high, but we're doing our best to find the lowest rates we can and pass the savings on to our customers. The claim that international data roaming costs Canadian carriers pennies per MB, which one often sees in online forums, is not true. If they were, it would be fair to ask WIND why its only Mexico data roaming rate is $20 per MB. The Public Interest Advocacy Centre (PIAC) put out a report titled "Consumers and Wireless Data Roaming" last December in which they explained the many factors that go into roaming rates. While we don't agree with

everything in the report, it was well researched and reported how TELUS does international data roaming better.

If Professor Geist or OpenMedia would be interested in updating the relevant chart in the OECD roaming report with TELUS' current rates, we would be happy to work with them on it. As with so many of these international rankings, a complete and current survey would tell a very different story.

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5. TELUS does not charge a System Access Fee or Government Regulatory Recovery Fee

Professor Geist notes that only Rogers "replaced the system access fee with a monthly government regulatory cost fee" (though in his Star column it mysteriously grows to "some carriers"). What does the fact that only one carrier in the market charges a particular fee tell us about the competitiveness of the market? Absolutely nothing. Professor Geist reaches too far again in his search for 'gouging'. When TELUS eliminated carrier 911 fees and the system access fee, we did not replace it with another one, like Rogers.

Professor Geist ironically links to our Clear and Simple fee list to support his claim that "Other carriers have dropped the system access fee, but maintain an assortment of other fees for device setup, unlocking (see below for more), and rate plan changes." We do indeed maintain a clear and simple fee list (though it's unclear what's unusual about that), but we don't charge activation or renewal fees, like some other carriers do, for example.

Does the fact that TELUS doesn't charge fees that other carriers do prove that the market is uncompetitive? Would Professor Geist be happier if all carriers charged exactly the same fees, with no competitive differentiation or consumer choice whatsoever?

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6. Canada has among the highest rates of smartphone adoption in the world and growing fast

Professor Geist's sixth item is another major concession dressed up as a criticism. Forced to concede that Canada has among the highest rates of smartphone penetration among wireless subscribers in the world (more on which in item 9 below), Professor Geist is left to cast doubt on Mr. Fan's theory that three-year contracts have contributed to that success.

While we'll let Mr. Fan defend himself on that one, if he feels the need, we would note that it's easy to turn the Comscore data around. They show that smartphone adoption in Canada has accelerated in recent years (and in late 2012, in particular) – that is, *after* three-year contract terms became the most common in the market (mainly due to the high cost of high-end smartphones).

As we explained at the CRTC wireless code proceeding, after we did away with old-fashioned early termination fees and adopted our Anytime Upgrades policy, consumers did the math and realized that

three-year terms were to their advantage, whether they intended to stick with us for three years or not. Other carriers reported similar observations at the hearing. Since then, as Comscore shows, smartphone adoption has continued to rocket ahead in Canada. At TELUS, our customer satisfaction rates have gone up and our churn rates have gone down.

Does this prove a correlation between three-year contract terms and smartphone adoption? Maybe, maybe not, but we've never claimed there is one. All we know is that Canadians love smartphones and, given the choice, prefer to get them with low or no up-front payment. For those consumers who prefer to buy their device outright, that choice is always available.

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7. TELUS' unlocking policy is competitive

Professor Geist next takes issue with one of Bell's claims in the proceeding about the relationship between the launch dates of iconic devices and network locking practices. While we didn't make this claim either, the reality is that carriers in markets as relatively small as Canada have very little bargaining power with device manufacturers, which operate on a global basis. Where, when and how they choose to launch a new product is up to them.

For example, Apple did not permit the sale of the iPhone5 unlocked in North America at launch (September 21, 2012). However, it did start selling it unlocked at its retail stores in both Canada and the U.S. a couple of months later (November 30, 2012). I can't say for sure, but if Canada mandated that all new devices had to be sold unlocked or immediately unlockable, I doubt Apple would have launched the iPhone here at the same time as in the U.S., but again, that's up to Apple.

Professor Geist's reference to high unlocking fees helping "lock consumers into the high roaming fees discussed above" simply does not apply to TELUS either. Professor Geist selectively focuses on Bell's $75 charge, but our charge is $35 (yes, WIND's is $10). We specifically launched this service in response to demand from customers who want the flexibility of using a local SIM card when they visit other countries for extended periods. The device does need to have been on the TELUS network for a minimum of 90 days, though, so we can establish a good payment history.

Our customers are not "locked into high roaming fees," but rather have the freedom to use foreign SIM cards when they travel or our very competitive pay-per-use roaming rates and travel passes, if they prefer to be reachable at their Canadian phone number.

The fact that the new entrants sell locked devices just like the established ones should inspire some questions about Professor Geist's theory about unlocking. If nothing else, if network locking is an anti-competitive practice designed to thwart competition, why do WIND and Mobilicity do it? Putting aside the new Nexus devices, which Google requires be sold unlocked, and phones that only work on one network, like Public Mobile's, wireless devices in Canada are sold by all carriers locked to their networks, as is the case in most countries around the world.

I have addressed the network locking issue in two of my previous blog posts and in responses to comments on them, so I would refer for anyone looking for more information on that issue, as it has been discussed in the CRTC wireless code proceeding, here and here.

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8. Canadian wireless networks are among the best in the world, and don't let anyone tell you otherwise

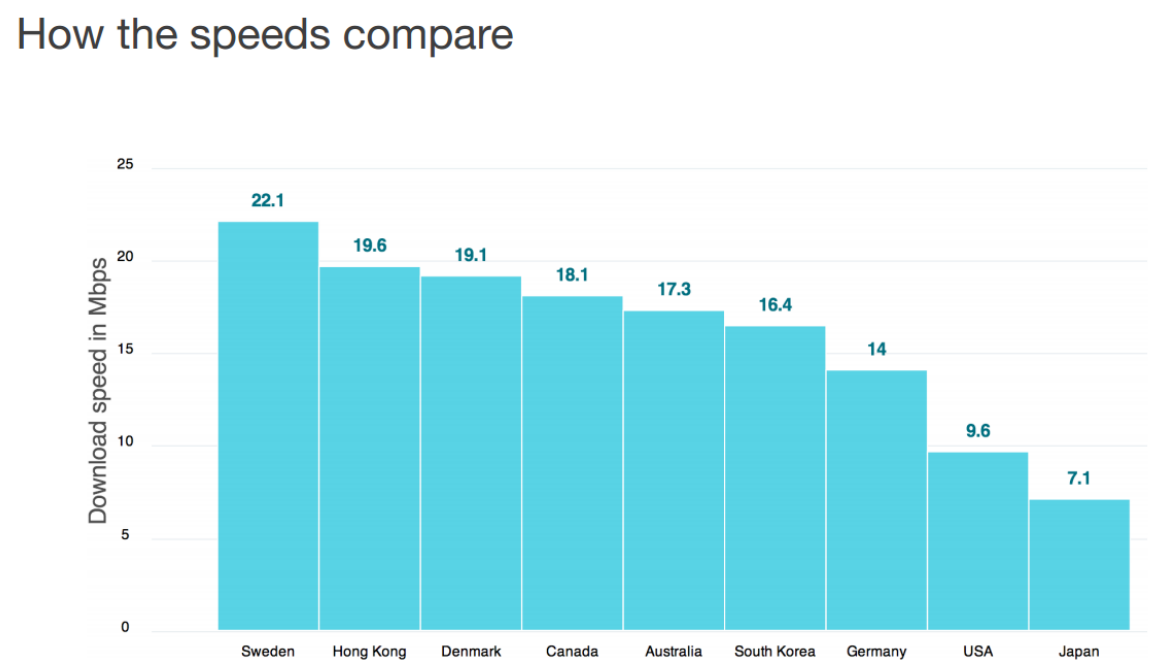
One of the more breathtaking statements in Professor Geist's post is this one: "Canadian wireless providers have trumpeted their new LTE networks, yet recent data from Akamai still indicates that Canadian mobile data speeds are far slower than many peer countries."

The Akamai "Third Quarter 2012 'State of the Internet' Report" to which he refers does not in fact say anything meaningful about Canada's wireless networks. It only includes data relating to one unnamed carrier – hardly a representative sample. One wonders whether Professor Geist would be comfortable with all of Canada's universities being ranked internationally on the basis of data relating to only one unnamed school, especially data that are obviously wrong. I doubt it.

Mr. Nowak should know these results don't look right – Akamai certainly appears to. In an email to Mr. Nowak, a representative reportedly said "the observed speeds do look surprisingly low, especially as compared to the US carriers." Of course they look low – they are completely wrong. They don't appear to include any data from at least two of Bell, Rogers, and TELUS, if not all three (which is in fact the most likely scenario – the Akamai rep also said: "I believe that the listed mobile carrier would be considered one of the incumbents," which suggests that it was in fact one of the regional incumbents).

Not content to use meaningless statistics from just one report, Professor Geist refers to another. He quotes a chart in the CRTC *Communications Monitoring Report 2012* which: (a) is apparently based on the same useless Akamai data, and (b) dates from the period prior to the widespread launch of LTE in Canada. The fact that the chart shows the average measured speed for Canada *dropping by 64%* year-over-year when every other country went up should have been a tip-off to Professor Geist that something wasn't right about the underlying data, but he managed to miss that. More current information is available, but Professor Geist apparently wasn't motivated to find it.

With the help of Google, one can find a report titled "Global State of LTE Report (February 2013)" by independent firm OpenSignal, which uses crowdsourced data to produce reports on the quality of networks around the world. Their report provides a useful introduction to LTE rollouts and includes this chart on the speeds that users of their Android app have reported:



The excellent result for Canada – fourth-best in the world – is consistent with TELUS' claims regarding our 4G LTE coverage, which is that customers can expect average downstream throughout rates of 12-25 Mbps.

While Professor Geist's heading for this section of his post is "Actual Canadian Mobile Speeds Are Slower than Peer Countries," he cites no meaningful evidence for the point, and at best merely points out that not all subscribers are on LTE yet, which is true. Many TELUS customers continue to connect at 4G DC-HSPA+ speeds (manufacturer's rated peak download speed 42 Mbps; average expected speed 7-14 Mbps) and 4G HSPA+ (manufacturer's rated peak download speed 21 Mbps; average expected speed 4-6 Mbps).

With those speeds in mind, It's worth noting that the same Akamai report reveals a global average for *wireline* Internet speed of just 2.8 Mbps, while (according to their news release) "average connection speeds on surveyed mobile network providers ranged from a high of 7.8 Mbps to a low of 324 kbps". Figure 25 in the Akamai report (which I found here) shows the best result in the U.S. as 2.7 Mbps, in the Netherlands 2.1 Mbps, and in the U.K. 2.9 Mbps. Professor Geist and Mr. Nowak are right that the 1 Mbps result for the one unnamed Canadian carrier looks bad. It certainly doesn't accurately reflect TELUS' networks.

We're doing what we can to encourage consumers to upgrade to LTE-capable devices (as are our competitors), but that kind of change takes time. It's worth noting that we don't charge any more for LTE service than HSPA+ service, such that the consumer gets significant performance gains without paying any more for it (of course, their usage will likely go up). As more and more Canadians start using mobile hotspots, Internet keys, and LTE-capable smartphones (including the iPhone5), international

rankings should show Canada's average connection speeds going up. The important thing, I would have thought, is that Canadians have access to some of the best networks in the world when they are ready to move to an LTE device.

You can see how we can't win for trying here: if we hadn't upgraded to LTE yet, Professor Geist and Mr. Nowak would no doubt have called us uncompetitive laggards for it, but having done so, they say we shouldn't brag about it because not all of our customers are using LTE yet. Such are the lengths that those who want to portray the industry in a bad light are willing to go.

The Cisco report referred to earlier provides some more useful information on the issue of wireless network speeds. The table below shows that smartphone connection speeds in North America already average at least 2.6Mbps and are projected to grow rapidly – and stay well ahead of average speeds in other parts of the world – over the next five years.

Table 4. Projected Average Mobile Network Connection Speeds (in kbps) by Region and Country

	2012	2013	2014	2015	2016	2017	CAGR 2012–2017
Global							
Global speed: All Handsets	526	817	1,233	1,857	2,725	3,898	49%
Global speed: Smartphones	2,064	2,664	3,358	4,263	5,284	6,528	26%
Global speed: Tablets	3,683	4,811	6,082	7,624	9,438	11,660	26%
By Region							
Middle East & Africa	219	371	640	1,101	1,837	2,898	68%
Central & Eastern Europe	551	909	1,458	2,288	3,426	4,760	54%
Latin America	200	349	586	956	1,492	2,207	62%
Western Europe	1,492	2,233	3,124	4,168	5,429	7,013	36%
Asia-Pacific	316	506	806	1,318	2,039	3,036	57%
North America	2,622	4,083	5,850	8,023	10,793	14,399	41%

Source: Cisco VNI Mobile Forecast, 2013

Current and historical speeds are based on data from Cisco's GiST (Global Internet Speed Test) application and Ookla's Speedtest. Forward projections for mobile data speeds are based on third-party forecasts for the relative proportions of 2G, 3G, 3.5G, and 4G among mobile connections through 2017. For more information about Cisco GIST, please visit http://ciscovni.com/gist/index.html.

Like other carriers, TELUS continually invests enormous amounts to upgrade our networks to keep ahead of our customers' expectations and keep ahead of the competition. Professor Geist says we needn't worry about competition, but he's wrong. We have no choice but to continually improve our networks because our customers demand it, and would leave us if we didn't.

9. Canada's world-class wireless networks support our world-class smartphone penetration

Professor Geist correctly observes that Canada has a relatively lower wireless penetration rate than "peer countries." The reasons why are well known: we have the world's highest penetration of *wireline* telephone service (see Table 4.5 in the 2011 OECD report) and commercial wireless services were launched here six years later than in the U.S. (1984 vs. 1978).

On this issue, it's actually hard to tell whether Professor Geist thinks that Canadians pay too much for wireless or too little. He seems disappointed that most Canadians only need to pay for one wireless plan, and admires other countries where many consumers pay for two or more. He regrets that Canadians are "less likely to subscribe with more than one device" but in countries like Italy, with 151 mobile broadband subscriptions per 100 inhabitants, consumers are not necessarily subscribing with more than one device, but more likely subscribing to more than one plan (and therefore SIM card) for use with the same device.

The primary reason that so many Europeans pay for more than one SIM card is to avoid roaming charges when travelling (perhaps for work) in nearby countries (though Professor Geist downplays it). Even after they have been regulated, as Professor Geist notes, the rates are still high enough that it makes sense to avoid them by having a local account in the other country. Now consider Canada, and the fact that consumers can travel coast-to-coast and not pay any roaming fees because they are generally settled between carriers and not passed through to subscribers as roaming charges.

Nordicity explains the European phenomenon of well over 100% wireless penetration as follows:

> The OECD rankings do not reflect the fact that nearly half of all residents in the OECD countries outside of Canada pay for multiple wireless plans: On average, in the OECD countries outside of North America, cell phone penetration is more nearly 145% for the national population 10 years of age and over.
>
> That is, virtually one in two mobile subscribers in OECD countries has multiple phone plans. Because wireless plans in many European countries in particular favour low minute usage (as the OECD rankings indicate), and because cross-border travel is more common, European subscribers commonly pay for more than one wireless plan.
>
> The OECD rankings, however, only compare per-subscription costs, not per-subscriber costs, meaning they do not reflect what effectively results in a greater than 40% per-user wireless service cost increase.
>
> In fact, per-subscriber costs are underreported by more than 50% in 11 OECD countries if the use of multiple wireless plans per subscriber is not accounted for.

If anything, beyond the effect of our ubiquitous wireline services, Canada's wireless penetration rate among subscribers shows that they are getting what they need without the need to buy wireless services from more than one carrier. It is unclear why Professor Geist would prefer that Canadians should have to pay for two or more plans (Is two enough? Would three be better? He doesn't say).

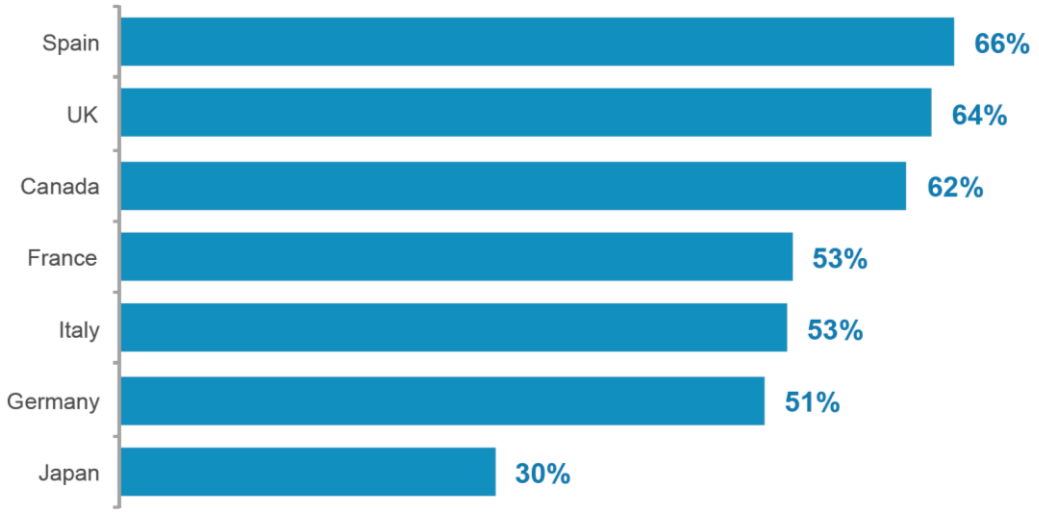
In any event, we agree with Mr. Fan that smartphone penetration is the more telling figure. Given their concern to see our LTE network filled up, Professor Geist and Mr. Nowak should be glad to hear Cisco say that "In 2012, the typical smartphone generated 50 times more mobile data traffic (342 MB per month) than the typical basic-feature cell phone (which generated only 6.8 MB per month of mobile data traffic)." (at page 2).

Mr. Fan explains his views on smartphone penetration as follows:

> **Canada has higher smartphone penetration than the US and Canada's penetration growth has outpaced the US in the past two years.** Canadian smartphone penetration (of postpaid subscribers) ended 2012 at 67% compared to 62% in the US. As shown in Exhibit 7, Canadian smartphone penetration growth exceeded the US in the past two years, after being even in 2009 and 2010. We believe the even positions prior to 2010 dispels the notion that Canada is ahead simply because of its history with Blackberries. Proponents of increased regulatory interventions often point to Canada's lagging wireless penetration compared to the rest of the world. But we think the more relevant penetration statistic is smartphone penetration.

Comscore's "Mobile Future in Focus 2013" report confirmed that at 62%, Canada's level of smartphone adoption among post-paid wireless subscribers is world-class and growing fast:

> Smartphone adoption rose rapidly in the past year to assume the mobile majority in 2012 in many international markets, including the EU5 (UK, France, Germany, Spain and Italy) and Canada. Among these markets, Spain had the highest smartphone adoption at 66 percent, followed by the UK (64 percent) and Canada (62 percent). Canada saw significant gains at the end of the year after first reaching 50 percent penetration in Q2 2012.



TELUS' smartphone adoption level among post-paid subscribers is even higher than Comscore's figure: 66% as of the end of 2012 (which was up from 53% a year earlier).

Mr. Nowak attempts to cast doubt on Canada's smartphone penetration in his March 18 blog post. He points out that the Bank of America Merrill Lynch (BoAML) Q3 2012 data show that as of the third quarter of 2012, only 37% of the Canadian population had smartphones. While our current internal estimates put it at 41.4% today, it is well known that Canada's comparatively low overall wireless penetration rate is what brings down our smartphone penetration rate as a proportion of the population.

While Mr. Nowak notes that smartphone adoption as a proportion of the population is growing fast, he didn't report just how fast. The BoAML Q3 2012 report shows that Canada's smartphone penetration is growing at the incredible rate of 49.5% year-over-year – a stunning growth rate that dwarfs those in Europe at the U.S. (where BoAML pegs the rates at 37.9% and 28.2%, respectively). This is surely news that would deserve mention in any objective report on the subject.

Mr. Nowak opts instead to contradict Mr. Fan's statement that Canada's rate exceeds the U.S. by pointing out that BoAML estimates the U.S. smartphone penetration rate as 39%, versus Canada's 37%. Mr. Fan may well not contest that point because he wasn't even talking about smartphone penetration as a proportion of population. Mr. Nowak declares ScotiaCapital wrong on the basis of an "apples-to-oranges" comparison but completely misses the significance of the relative growth rates in smartphone adoption in Canada and the U.S.

The fact that Canadians are adopting smartphones at higher rates than in the U.S. or Europe contradicts Mr. Nowak's claim that high prices are keeping smartphone penetration down. In fact, Canada's superior networks are enabling our incredible smartphone growth and consumers are apparently finding the prices appealing enough to buy smartphones in droves – perhaps because, as explained above, even though they have ready access to the world's best smartphones on some of the world's best networks, Canadians spend relatively less on communications services as a share of household expenditures and per capita income than the citizens of most countries in the OECD. Canadians are adopting smartphones at world-class rates thanks to competition (and the generous subsidies that it necessitates), not in spite of a lack of competition.

Perhaps Professor Geist or Mr. Nowak will try to find a way to show that Canada's high rate of smartphone adoption is actually a bad thing (Are the "Big 3" *forcing* consumers to buy smartphones? Are smartphone subsidies *too* generous?) but we think it's indicative of a healthy, innovative market in which consumers' ever-growing mobile needs are being met with some of the world's very best networks, in spite of the high costs and inherent challenges of serving an enormous country like ours.

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10. TELUS is more spectrally efficient than Bell and Rogers

Yet another allegation in Professor Geist's post that simply doesn't apply to TELUS is this one: "The incumbent carriers continue to claim that they need more spectrum, yet Canadian carriers have hoarded more spectrum than their counterparts in practically any other country." TELUS doesn't hoard spectrum,

and we don't just 'claim' we need more, we do need more, as Ted Woodhead recently explained on this blog.

Professor Geist continues by claiming that "the data suggests [sic] that Canadian carriers could do far more to maximize current spectrum holdings and reduce their costs in the process." TELUS serves roughly the same number of customers as our major competitors with significantly less spectrum. We have no choice but to use what spectrum we have as efficiently as possible to serve our customers.

Canada's wireless market is less concentrated than even the OECD average

A bright spot in Professor Geist's blog post and newspaper column is that he avoids repeating the line that "94% of the market is controlled by three companies" (it's actually about 90%). This is perhaps because he knows that in most OECD countries, the aggregate market share of the two, three, and even four biggest players is higher than in Canada.

As Nordicity has previously demonstrated, as of 2011 Canada had the fifth-least concentrated market in the OECD when measured by the aggregate market shares of the top two and three players (see Figure 16). The CWTA has recently re-done that analysis using newer Bank of America/Merrill Lynch data, and again Canada comes out consistently below the OECD average, as this chart demonstrates:

Subscriber Share Comparison

Largest Provider		Top Two Providers		Top Three Providers		Top Four Providers	
1 Mexico	69.7%	1 Mexico	89.9%	1 Australia	100.0%	1 Israel	100.0%
2 Switzerland	62.3%	2 Switzerland	83.2%	1 Chile	100.0%	1 Australia	100.0%
3 Norway	53.0%	3 Norway	80.8%	1 Finland	100.0%	1 Italy	100.0%
4 Turkey	51.7%	4 New Zealand	80.0%	1 Japan	100.0%	1 Austria	100.0%
5 New Zealand	48.0%	5 Turkey	79.7%	1 Netherlands	100.0%	1 Chile	100.0%
6 Greece	47.8%	6 Portugal	79.3%	1 New Zealand	100.0%	1 Finland	100.0%
7 Japan	47.5%	7 Australia	78.2%	1 Norway	100.0%	1 Germany	100.0%
8 Australia	47.1%	8 Chile	77.2%	1 Portugal	100.0%	1 Japan	100.0%
9 Hungary	46.7%	9 Hungary	76.3%	1 Switzerland	100.0%	1 Mexico	100.0%
10 Sweden	46.6%	10 Japan	76.0%	1 Turkey	100.0%	1 Netherlands	100.0%
11 Portugal	42.6%	11 Czech	75.3%	1 Hungary	100.0%	1 New Zealand	100.0%
Average	**42.4%**	12 Finland	74.8%	1 Greece	100.0%	1 Norway	100.0%
12 Netherlands	42.3%	13 Greece	74.6%	1 Czech	100.0%	1 Portugal	100.0%
13 Finland	41.2%	14 Sweden	73.7%	14 Mexico	96.1%	1 Sweden	100.0%
14 Belgium	40.6%	15 Netherlands	73.1%	15 Israel	95.9%	1 Switzerland	100.0%
15 Austria	39.6%	**Average**	**71.9%**	16 Belgium	94.9%	1 Turkey	100.0%
16 Chile	39.5%	16 Austria	70.5%	**Average**	**93.3%**	1 Belgium	100.0%
17 Czech	39.0%	17 Spain	70.1%	17 Spain	91.8%	1 Hungary	100.0%
18 Denmark	38.7%	18 France	69.5%	18 Sweden	90.6%	1 Poland	100.0%
19 France	38.5%	19 Belgium	67.9%	**19 Canada**	**90.1%**	1 Greece	100.0%
20 Spain	37.8%	20 Israel	66.8%	20 Italy	89.9%	1 Czech	100.0%
21 Italy	35.0%	21 Italy	66.7%	21 Austria	89.8%	**Average**	**98.3%**
22 Canada	**34.4%**	22 Denmark	63.1%	22 France	85.5%	22 Spain	98.3%
23 Israel	34.0%	23 Germany	62.5%	23 Poland	84.1%	**23 Canada**	**95.9%**
24 US	31.7%	**24 Canada**	**62.4%**	24 Germany	83.2%	24 France	93.7%
25 Germany	31.4%	25 US	59.7%	25 Denmark	80.1%	25 Denmark	90.5%
26 UK	29.1%	26 Poland	57.2%	26 US	76.5%	26 UK	88.8%
27 Poland	29.0%	27 UK	53.9%	27 UK	71.3%	27 US	86.2%

2012 Subscriber data; sourced from Bank of America Merrill Lynch Global Wireless Matrix

(Note that in the Bank of America/Merrill Lynch data presented here by CWTA, the "fourth carrier" consist of all of the new entrants, while the fifth consists of "other telcos" (presumably SaskTel and others) and MTS is the sixth.)

94% is simply an outdated figure, but that doesn't stop OpenMedia from using it as often as they can. If the 90% aggregate market share of the top three carriers in Canada means that our market is "broken," what do the higher aggregate shares in the other eighteen countries say about their markets? Or the twenty-two where the top four have even higher aggregate market share than in Canada? Or is there really not as much to this oft-repeated statistic as the critics would have you believe?

Canada in fact has one of the most diverse and competitive markets in the world by any measure, including number of competitors. As many commentators have noted, there are already four players in most markets across the country, although Professor Geist discounts the significance of WIND, Mobilicity, Public Mobile, Eastlink, Vidéotron, SaskTel, MTS and all the others. Fortunately for them, as noted earlier, their customers don't.

Conclusion

Now that you know the truth about the OECD rankings, perhaps you can understand why statements like this one, in a Halifax Chronicle-Herald editorial, make our blood boil: "With studies showing Canadians having the highest average wireless bills and among the highest roaming charges in the world, more competition can't arrive soon enough."

The problem is that the 'studies' the writer is likely referring to are likely OpenMedia's chapter on international pricing comparisons and the 2009 OECD report on which it heavily relies. The editorial writer appears to be unaware that those data are from August 2008 – four-and-a-half years ago – which is a very long time in an industry as fast-moving as wireless telecommunications. But then, how would any reader of OpenMedia's chapter be expected to know that, given that OpenMedia deceptively uses old numbers when newer numbers are available (but just not as favourable to their thesis).

And the report showing "among the highest roaming charges in the world"? You guessed it, that's probably the March 2011 OECD report that OpenMedia also highlighted. It fails to reflect the fact that TELUS significantly reduced its international roaming rates three months later, to the point where our pay-per-use data rate in Mexico, for example, is six times less than Fido's, as Vancouver's Matt Buie recently found out the hard way.

One thing that we can't contest in the Chronicle-Herald editorial is the observation that "Canadians love their mobile devices, but most seem to hate their wireless carriers." We're trying to change that. For several years now, TELUS has been putting customers first and embracing new ideas to make the TELUS experience even better, including:

- eliminating carrier 911 and system access fees on all our Clear and Simple rate plans
- eliminating activation fees and dramatically simplifying our entire fee schedule
- negotiating the best international roaming rates we can around the world, and passing the savings on to our customers
- reducing data-related bill shock with Enhanced Data Notifications and International Data Blocking and advantageous travel packages that can be purchased anytime, anywhere simply by texting "SAVE" to 7626.
- adding Caller ID and Voicemail as standard on all our voice plans
- taking the sting out of mobile Internet overage charges with Worry-free Flex Data add-ons that bump up your data allowance up to the next tier in a month of high usage and then back down
- revolutionizing term contracts by replacing traditional termination fees with our simple and transparent Device Balance approach
- enabling consumers to get the latest devices when they want them with Anytime Upgrades
- putting current usage data in our customers' hands with My Account, online and on-device
- rewriting our contractual documentation in plain language, and
- launching Canada's first Network Experience application so our customers can help us improve our networks easily reporting network issues on-device

At TELUS, we know we're not perfect, but we're getting better. We may be #3 in number of subscribers, but we're working hard to be #1. We are proud to have earned industry-leading churn rates (in fact, we recently reported our lowest churn rate in six years) and among the highest independent customer satisfaction ratings in the industry (according to JD Power, as explained here).

When the telecom industry's independent complaints resolution service, the Commissioner for Complaints for Telecommunications Services (or CCTS) released its 2011-2012 Annual Report, it showed that CCTS received 13 per cent fewer complaints about TELUS last year compared to the year before, and in a year when overall complaints about our industry went up 35 per cent. We were glad to see such great progress, but we know there's more to do if we want to bring those complaints even lower.

You can see why we object so strongly to characterizations of the Canadian wireless market as uncompetitive. We work hard every day to earn the trust of our customers in an intensely competitive marketplace where consumers have many choices.

We are happy to have an open, constructive discussion about Canada's wireless industry, but we think it's fair to insist that the discussion be based on current data and rigorous economic analysis. If you think I've gotten something wrong, please let me know. Am I biased? Of course – but if you know of evidence that contradicts what I've said, bring it forward. We started the TELUS Blog to have this kind of frank discussion, and as long as you respect our House Rules, we won't delete your comments or call you names, like OpenMedia recently did to us.

If you are currently with one of our competitors and aren't satisfied, please consider giving TELUS or Koodo a chance to show you what our customers already know – that we're different from the other guys, and getting better all the time. You can learn more about how we put what matters to you at the heart of everything we do here.