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## Executive Summary

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Canada's cell phone market is dysfunctional and in desperate need of an overhaul. Government policy has allowed three incumbent service providers—Bell, Telus, and Rogers—to control almost 94% of the cell phone market.<sup>1</sup> Because the growth of alternative options is suppressed through unnecessary switching costs and other hindrances, the incumbents have little incentive to improve their service. As a result of this lack of choice, Canadians experience excessively high telecom costs, restrictive contracts, and disrespectful customer service, particularly as compared to users in other countries. **Decision-makers can help create affordable, world-class telecom services by basing policies on the lived reality of Canadians.**

The Canadian Radio-television and Telecommunications Commission (CRTC) and Industry Canada are the main bodies empowered to repair Canada's broken cell phone market. **Canada will need quick, bold action from both the CRTC and Industry Canada to create incentives for choice and affordability.** In 2013,

the CRTC held a hearing to consider the specific rules it would put in place as part of a national wireless Code of Conduct. At the same time, Industry Canada was working out plans for the auction of public spectrum resources. Taken together, the Industry Canada and CRTC decision-making processes mark a valuable opportunity to focus on creating policies that will improve Canada's broken cell phone market.

To facilitate citizen-centred policies, OpenMedia.ca undertook a study of Canadian experiences with cell phone service. In October of 2012, the group launched a community-powered project, reaching out to Canadians across the country through email, social media, and online ads, and drawing on input from digital policy experts. The goals of this study were to learn about the lived reality of Canadians regarding mobile Internet and phone services, to make citizen views and input clear to policymakers, and to provide expertise on how to address these lived realities through smart, effective policy changes.



## THREE THEMES OF COMPLAINTS CANADIANS HAVE ABOUT OUR CELL PHONE MARKET





## Key Findings

Between October 17, 2012 and February 15, 2013, 2,859 Canadians visited OpenMedia.ca’s website to submit their “cell phone horror stories.” Overall, respondents expressed frustration that Canadian wireless services are lagging behind other industrialized nations, both in terms of quality and price, even prompting some customers to take their business across the border and pay the fees for using an international service provider in Canada. The high level of frustration was clear from the energy many Canadians put into sharing their stories – one respondent even submitted a story that was fourteen pages long.<sup>2</sup> **A clear central issue emerges from these citizen stories: Canadians feel mistreated by cell phone providers who put excessive profits ahead of quality service.**

Beyond the central issue of mistreatment, Canadians identified twelve specific problems in their stories. Our analysis categorized these twelve specific problems into three major themes: **Disrespectful Customer Service, Restrictive Contracts, and Price-Gouging.**

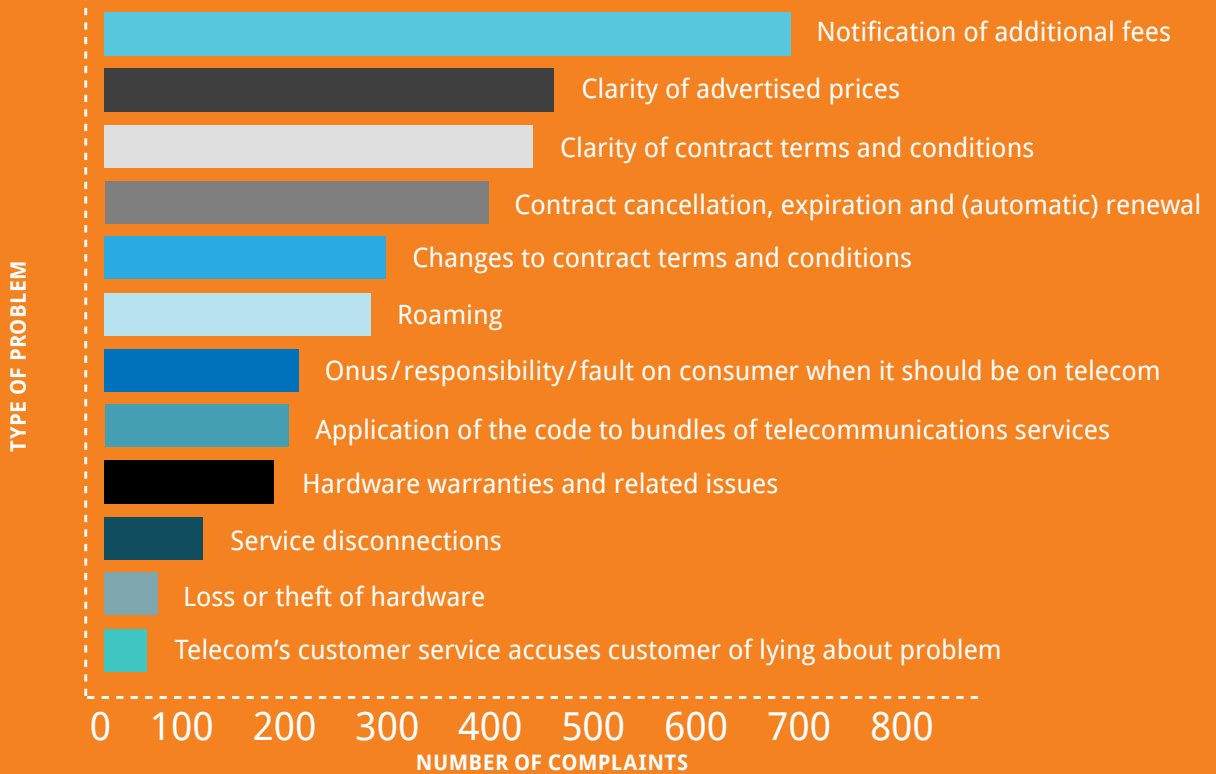
Stories that fell under the Disrespectful-Customer Service theme underscored how customers were sacrificed in the single-minded pursuit of service providers’ bottom line. One respondent shared the story of her son, who has Asperger’s Disorder and was persuaded by a telecom

sales rep to sign a three year contract he couldn’t possibly afford. Despite explaining that her son “didn’t understand what he was signing and that he wasn’t capable of understanding the consequences of the contract” the service provider refused to let him out of his contract, and forwarded the debt to a collection agency.<sup>3</sup> Other citizens reported being treated poorly by sales representatives, often being repeatedly disconnected during a conversation, having to argue to correct billing errors, and in one case even being told to “shut up and pay the damn bill!”

Those stories falling under the **Restrictive Contracts** theme focused on the unequal relationship promoted by contracts, with the customer being locked in while the service provider “had no binding commitment to actually provide me with usable services during that time”.<sup>5</sup>

**A CLEAR THEME EMERGES FROM THESE CITIZEN STORIES: CANADIANS FEEL MISTREATED BY CELL PHONE PROVIDERS WHO PUT EXCESSIVE PROFITS AHEAD OF QUALITY OF SERVICE**

Fig. 1: Canadians' Twelve Key Problems With Our Cell Phone Market



Similarly, these contracts were seen as excessively long, with many citizens commenting that “three-year contracts are appalling”<sup>6</sup> and out of step with wireless options in many other countries.

Citizen stories falling under the **Price-Gouging** theme noted that, “[n]o matter how comprehensive your monthly plan is, it seems there’s always something you do that is not covered by the plan and that costs you an arm and a leg”.<sup>7</sup> They also commented that “Canada is allowing greedy telecoms to kill innovative technology”, as some of the latest apps

being developed in other countries would cause customers to incur excessive charges in Canada.<sup>8</sup>

Canadians were clear that they expect policymakers to step in to empower customers to free themselves from this kind of poor service and the restrictions imposed by incumbent wireless providers. A full understanding of the lived realities of Canadians, as provided by the OpenMedia.ca study, is the first step to addressing the problems of a market dominated by powerful incumbents.



## Recommendations

Drawing on the detailed stories that citizens took considerable time to submit to OpenMedia.ca, this report establishes four main priorities for improvements to our cell phone market. Each of the priority areas has corresponding policy recommendations listed below and laid out in more detail at the end of this report.

### 1. Canadians want real choice.

This was noted as a priority in 35.26% of citizen stories. These respondents complained that the lack of many independent companies providing alternative options meant that there is little choice other than to accept the poor service offered by the incumbents. Policymakers can address this desire for real choice by adopting spectrum fairness policies, providing wholesale access to the mobile marketplace, ensuring wireless neutrality, unlocking hardware, and empowering Canadians to avoid restrictive three-year contracts.

### 2. Canadians want reliable and respectful service.

This was a priority in a massive 63.45% of citizen stories. These respondents complained of receiving poor service or being treated disrespectfully by service

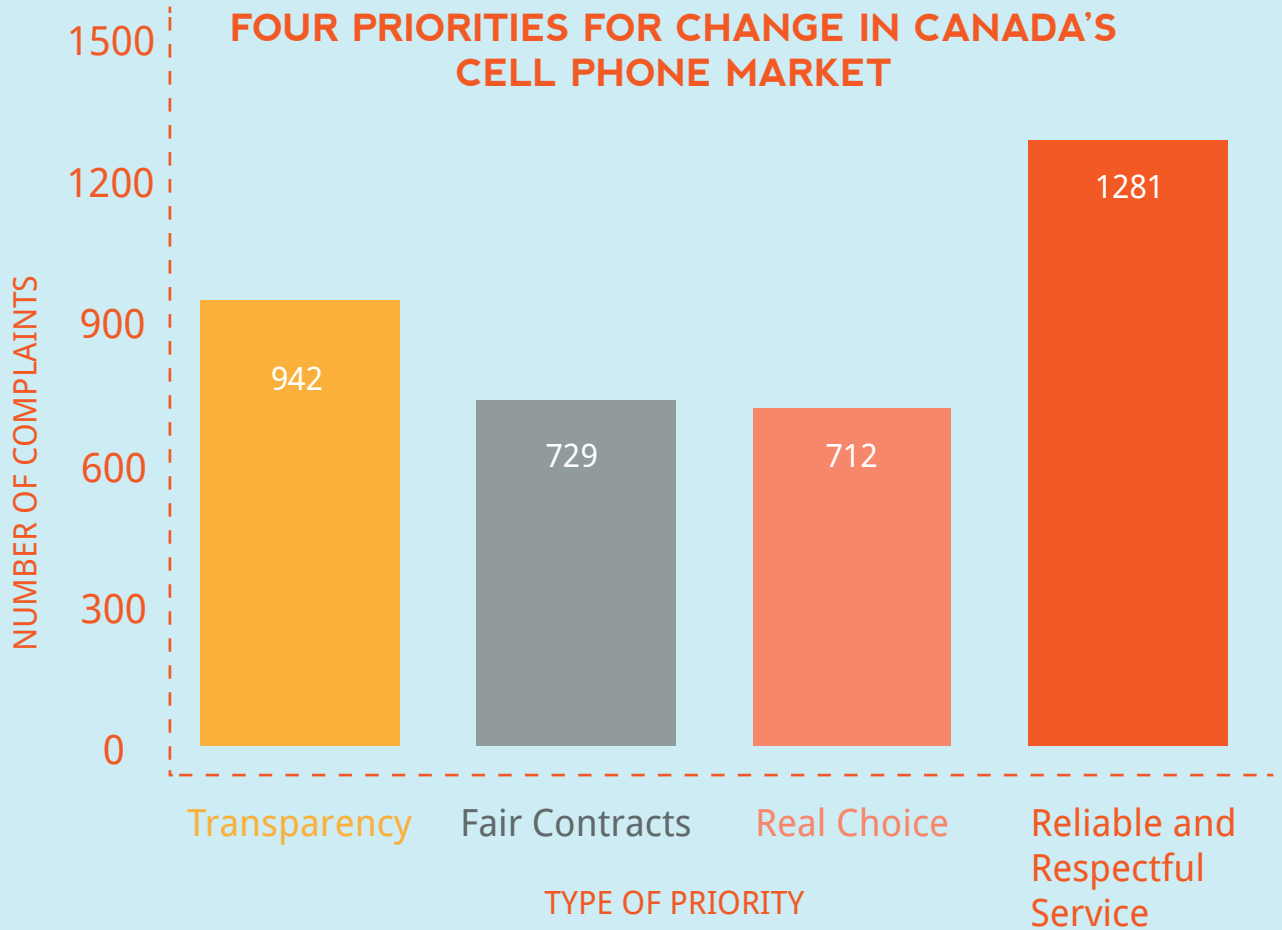
providers, and having little recourse or alternative options. Policymakers can address these problems by facilitating open roaming, protecting against punitive disconnections, suspending service charges when hardware malfunctions, and empowering citizens to choose the best service for them.

### 3. Canadians want fair contracts.

This was a priority for 36.11% of citizens who submitted stories. For many respondents, contracts are too long in duration, difficult to terminate, and create an unequal relationship between the customer and the service provider. Policymakers can address contract fairness by mandating consensual changes to contracts; transparency in extension, cancellation, expiration of contracts; and the early notification of additional fees.

### 4. Canadians want transparency.

This was a priority for 46.66% of citizens who submitted stories. These respondents complained of having insufficient knowledge about their services to make informed decisions, or being misinformed or misled by service providers. The report recommends addressing these problems by providing



greater clarity in contracts, clarity of advertised prices, and clarity in bundled services.

Policymakers in a variety of positions need to take action if Canada is to create a level playing-field that will empower citizens. This report is an effort to ensure that recommendations for the improvement

of our broken cell phone market are based in the lived reality of Canadians, that they empower choice and innovation, and that they safeguard citizens against unnecessary price-gouging.