

CALGARY, Sept. 12, 2013 /CNW/ - Canadians and governments agree, mobile wireless customers pay too much and more competition is needed. Canadian consumers are frustrated by high prices and the pressure is on government to ensure more competition.

But are those assumptions correct?

A report published today by The School of Public Policy evaluates the state of competition in wireless mobile markets and reaches three conclusions, all of which suggest that Canada may have much less of a problem than is perceived. Authors Jeffrey Church and Andrew Wilkins consider international comparisons of wireless industry performance typically used as the basis for a competition problem in Canada, assess the state of competition in wireless services in Canada, and evaluate the sustainability and effect of new entry into wireless services. Their results are surprising.

First, the authors find that wireless prices in Canada are difficult to compare to international prices because Canadians use their mobile devices differently - with a bias toward monthly plans over pay-as-you-go and with fast networks that encourage smartphone usage. This incorrectly leads to the conclusion that Canadians are paying more, when in fact they are demanding more in terms of mobile services.

Second, the report analyses the profits of the big mobile carriers and finds that profits are not high compared to their fixed and sunk capital costs. The authors conclude there is no evidence that there is a competition problem in wireless in Canada. In fact, the opposite is the case.

Finally, the report argues that governments' efforts to use regulation to entice another carrier into Canada may be misguided. "Efforts to create competition in the short run that increase the number of carriers will simply squeeze margins in the short run and likely will not be sustained

The State of Wireless Mobile Competition in Canada - New Report Contains Surprising Findings

Written by Australian Business

in the long run as carriers exit and consolidate to reduce competition and restore margins consistent with profitability. While consumers might gain in the short run from lower prices, everyone is likely made worse off in the long run from the misallocation of spectrum, reduction in scale of carriers, and reduction in incentives to invest from such intervention."

Church and Wilkins conclude by arguing that, "Rather than continue to misdiagnose a problem - insufficient competition - the government would do better to focus on policy measures that promote inter-network competition and reverse course on its policies that reduce or restrict incentives for investment by the three incumbent carriers and their access to spectrum."

The report can be found at www.policyschool.ucalgary.ca/publications

SOURCE The School of Public Policy - University of Calgary

Video with caption: "Video: The State of Wireless Mobile Competition in Canada - New Report Contains Surprising Findings ". Video available at:

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