

Ted Rogers: Canada's Media Magnate

As the founder and CEO of Rogers Communications Inc., Ted Rogers played an integral role in the development of Canada's high-technology communications infrastructure. During his 48-year span at the helm, Rogers lead his company through three distinct stages of growth: from a small-time radio operator on a quest to regain the ownership of CFRB, the Toronto radio station founded by his father; to a cable television empire a with controlling stake in cable networks throughout Canada and the United States; and finally, as the leading provider of cellular telephone and high speed Internet service in Canada.

Ted Rogers was born Edward Samuel Rogers Jr. on May 27th of 1933 to mother Velma Melissa Taylor and father Edward Samuel Rogers Sr.,¹ the inventor of the world's first vacuum tube that could run on alternating current. His father's invention allowed radios to be plugged into the wall, freeing home radio enthusiasts from the use of messy lead-acid batteries and making the radio a more convenient household appliance to own and use. This in turn lead to the creation of a radio manufacturing company and the founding of Toronto radio station CFRB.² When his father died in 1939, Rogers' mother was forced to sell most of the family assets, including CFRB.³ As Rogers explains the situation, “[my father] didn’t have a lot of life insurance at that age, so the businesses were sold or shut or stolen. My job, my mother made clear to me, was to get the family back in the communications business. So I knew at age 8 what I had to do.”⁴

As a child, Rogers was sickly and frail, with a lazy eye and poor eyesight. Like his father, he was obsessed with radio technology, and got into a great deal of trouble setting up illicit crystal sets in his dormitory at Upper Canada College. While in school, he was a poor student, but not for lack of intelligence. Rather, he preferred to gamble, study the stock market, and watch live performances at

1 Caroline Van Hasselt, *High Wire Act*, (Mississauga: John Wiley & Sons Canada Ltd, 2007), 3

2 Ian Austen, “Edward Rogers, 75, Media Mogul,” *New York Times*, December 4 2008, B13

3 Van Hasselt, 10-11

4 Derek DeCloet, “Ted Tomorrow,” *The Globe and Mail*, Feb 25 2005, 28

CFRB instead of attending his classes. This lack of perseverance in his studies would eventually result in his being held back for a year before attending University.⁵

During his teenage years, Rogers got his start in the entertainment world by founding a music promotion business with a friend that supplied bands and sound systems to various clubs and events around Toronto. While in University, he became involved with the Progressive Conservative Party of Canada, and worked on a number of campaigns, learning to combat his natural shyness.⁶ In 1956, his position as a youth within the party made him the natural choice to chair the Youth for Diefenbaker committee, a group that attempted to increase young voter turnout in favour of Progressive Conservative underdog John Diefenbaker. A young Brian Mulroney, future Prime Minister of Canada, worked for Rogers on the campaign trail.⁷

While still a law student, Rogers got his first taste of the telecommunications industry in 1960, when he purchased Toronto radio station CHFI for \$100,000 in borrowed funds.⁸ At the time, it was the sole FM-only broadcaster in Canada, and fewer than three percent of Toronto families owned an FM receiver. Thus, while the FM-band station cost significantly less money than a competing AM-band station would have, its potential audience was considerably smaller and Rogers' ability to attract advertisers to the station was limited.

Certain that the superior sound of FM broadcasts would eventually make them the dominant format,⁹ Rogers attempted to accelerate the adoption process by contracting Canadian Westinghouse Ltd. of Hamilton to manufacture a cheap tabletop FM radio of his own design. The sets were embossed with the CHFI name and had a red dot on the tuning dial to help listeners find the signal. The sets were sold for only forty dollars, a figure that made them very affordable when compared to the more

5 Van Hasselt, 19-21

6 Van Hasselt, 22-25

7 Van Hasselt, 27-28

8 Van Hasselt, 46-47

9 Austen, B13

common living room consoles that sold for six hundred dollars or more. By 1962, the strategy had paid off, and a full fifteen percent of all Toronto households had an FM receiver.¹⁰

Rogers' new station was not exactly the state of the art. It was located in the back of the second floor of an older building that featured broken toilets, terrible drafts, and an incessant cockroach problem. The physical condition of the studios did not bother their new owner; he had just won his first broadcasting license, and was on track to rebuild his father's business.¹¹ In 1961, he made the next step toward that goal when the Board of Broadcast Governors, the contemporary regulatory body that oversaw Canadian radio signals, awarded CHFI the right to increase its signal power to over 200,000 watts, making it the strongest FM signal in the country.¹²

By 1962, Rogers was still working to complete his studies in law school, apprenticing at a local law firm, working at a local television studio in which he held a small stake, and operating CHFI in what little spare time he had.¹³ By the end of the decade his work had paid off, and CHFI was very successful indeed. The station was running both an AM- and FM-band signal, kept two traffic helicopters in the air at all times, and had outbid CFRB, the station that Rogers' father had founded, for the right to carry Toronto Argonauts football games.¹⁴

With his radio operations running smoothly, Rogers turned his attention toward a new business opportunity that had presented itself to him: cable television service. At the time, the market consisted primarily of CATV systems, which functioned by capturing existing television signals with large antennae, amplifying them, and pushing them down a cable network to the homes of paying subscribers. Demand for the new service had increased dramatically alongside the growth of high-rise apartment buildings in the downtown areas of Toronto. People who had previously used rooftop

10 Van Hasselt, 49-50

11 Van Hasselt, 46-47

12 Van Hasselt, 49

13 Van Hasselt, 52

14 Van Hasselt, 75-77

antennae to tune into broadcast signals from American stations in New York state could no longer receive them with the small set-top antennae in their apartments. Further, the introduction of colour televisions to the Canadian marketplace in 1966 had increased the demand for colour television programming, whose signals tended to degrade faster than their greyscale counterparts.¹⁵ This in turn increased the demand for cable-based television that was capable of providing subscribers with access to the wealth of American content that was being broadcast in colour but could not be received in distant Canadian cities.¹⁶ By the time Rogers got involved in the cable business, there were already over 300,000 CATV subscribers in Canada, twice as many as in the United States, primarily because of the superior American content that cable subscriptions were able to provide to consumers.¹⁷

In February of 1967, Rogers paid twenty-five dollars for his first cable television license, and partnered with American investor John Basset to form Rogers Cable Television in August of the same year. Together, they qualified for a six million dollar line of credit with which to build out their new cable network. At the time, Bell Canada held a government monopoly on the erection of telephone poles and the laying of cable on public property,¹⁸ a policy that forced CATV providers to subcontract their services to lay the cable, and to rent the line back from Bell at a set monthly fee.¹⁹ Bell used their monopoly to carve the city of Toronto into five territories, each controlled by a separate cable provider. After staking out as much of the inner-city as possible, Rogers Television expanded through the purchase of a number of small cable companies in the bedroom communities surrounding Toronto proper.²⁰

Owen Boris, the founder of Hamilton, Ontario based Mountain Cablevision Ltd., provided Rogers with an early draft of the business model that the latter successfully applied to his entire

15 Van Hasselt, 82-83

16 Austen, B13

17 Van Hasselt, 83

18 Van Hasselt, 85-86

19 Van Hasselt, 90

20 Van Hasselt, 85-86

telecommunications empire: “I went to his house, we had lunch and I said, 'Ted, it's really simple. There's no magic to it. Just give your customers more – more and better. Give them more channels and give them better reception, and they'll have something to buy.’”²¹

By the end of the decade, there were nearly one million cable television subscribers in Canada, and traditional over-the-air broadcasters began to lobby the government for regulation of an industry that they perceived as threatening to put them out of business by repackaging their content without paying for it.²² For his part, Rogers had managed to sign 26,000 cable subscribers in only three years of operations, partly through a cross-promotion scheme that offered the signals of his radio holdings as additional channels that subscribers could listen to through their television sets.²³

In the fall of 1969, Pierre Trudeau's federal government had heard the complaints of the traditional television broadcasters, and responded by forming the Canadian Radio-Television Commission, (CRTC)²⁴ with a mandate to review the licensing policies of the cable television industry. The commission repealed forty percent of Rogers Cable Television's licenses for fear that the partnership gave American co-owner John Bassett too much control over Ontario media. The remaining sixty percent of Rogers' licenses were temporarily renewed under the condition that Bassett withdraw from the company. The ruling left Rogers with only two years' time in which he was required to assume half of the company's capital holdings, in addition to four million dollars worth of Bassett's personal debt that had been invested into his network infrastructure. The company had been operating under the assumption that it would not recoup its initial network investments for another nine years,²⁵ and Rogers embarked on a frantic search for investors, approaching every business and family

21 Van Hasselt, 88

22 Van Hasselt, 88

23 Van Hasselt, 92

24 The CRTC was later renamed the Canadian Radio-television and Telecommunication Commission when it gained responsibility for the regulation of telephone (and later, Internet Service Providers) from the Canadian Transport Commission in 1976.

25 Van Hasselt, 97-98

acquaintance that he possessed, finally raising the required monies just hours before the deadline.²⁶

Once out of the regulatory hot water, the company focused on improving the service that they offered to Torontonians. In 1972, after realizing that many of his inner-city cable subscribers were immigrant families who did not speak any english, Rogers launched OMNI, a station dedicated to foreign-language programming. Following its success, the company launched a number of other single-purpose feeds, including sports, weather, shopping channels. By expanding the range of specialty programming that they could offer, Rogers Cable Television was able to introduce more expensive subscription packages that focused on local content over imported American channels.²⁷

In the United States, the Federal Communications Commission (FCC) deregulated the cable television marketplace in 1977, and Rogers spent the majority of the next decade laying cable and purchasing companies throughout the country,²⁸ only to sell his holdings in 1989.²⁹ By that year, his company, now called Rogers Communications Inc., had an estimated value of three billion dollars, served over 1.5 million cable subscribers, and operated thirteen radio stations. In addition to his radio and television holdings, Rogers owned ninety-seven percent of Cantel Inc.,³⁰ a cellular provider that he had co-founded with corporate investor Mark Belzberg and media baron Philippe de Gaspé Beaubien.³¹ Rogers had been an early evangelist of the fledgling cellular technology, believing that once the upfront costs of building a network had been invested, the demand for mobility would be endless, as would the potential for massive revenues.³²

Despite being mired in \$560 million worth of debt throughout the early 1980s, Rogers managed to convince his lenders to back the company's expansion into the cellular telephony market by fronting

26 Van Hasselt, 102-103

27 Van Hasselt, 107

28 Van Hasselt, 136

29 "Billion Dollar Investment Program for Cantel and Rogers Cablesystems," *Canada News-Wire*, March 29 1989

30 Peter C. Newman, "Let the Second Force be with You," *Macleans*, March 20 1989, 46

31 Van Hasselt, 212-215

32 Daniel Stoffman, "Great Connections," *The Globe and Mail*, August 18 1989, 37

the initial investment with his own money.³³ The resulting partnership faced a massive engineering and legal challenge, most notably regarding their legal status as a telephone company. At the end of 1984, the CRTC ruled that Cantel would have to pay a fee to Bell in order to connect to their existing wired telephone network, as well as an additional fee for each issued phone number.³⁴ For its part, Cantel argued that the costs of interconnection should “reflect the reciprocal nature of two telephone companies exchanging traffic,” while Bell Canada argued that Cantel represented a competing service to its existing home telephone offerings, and should be forced to bear the costs of its connection.³⁵

The service finally launched in July of 1985, with the first sets from Cantel ranging in price from \$2500-\$6000, and had plenty of detractors. Kenneth Cox, chairman of New Brunswick Telephone Company was quoted in the *Globe and Mail* as saying that cellular phones wouldn't take off “until a phone is literally small and cheap enough to be surgically implanted in someone's head.”³⁶ Rogers had other ideas, and stated his goal to drastically reform the revenue stream of his company. At the time, he predicted that profit from the newly established telecommunications division would increase from five to forty percent of his total profit stream, while cable television would decline from nearly ninety percent to only fifty percent during the same period.³⁷

As majority stakeholder in Cantel, Rogers had unfettered access to the cellular company's cross-country transmission backbone, and argued that his company should be allowed to use it to offer an alternative long-distance service to customers.³⁸ In 1989, he called for the CRTC to break the 100-year monopoly that Bell held on Canada's wired telephone network, promising lower prices, better service, and more jobs. Bell responded by arguing that their monopoly on long distance service subsidized local calling, and that opening the market up would drive prices up for consumers.³⁹ Albert Jean de

33 Van Hasselt, 225-226

34 Lawrence Surtees, “Cantel's Proposals for New Service Rejected,” *The Globe and Mail*, December 20 1984, B8

35 Dan Westell, “Cellular Radio Firms' Interconnection Talks hit Snag,” *The Globe and Mail*, October 26 1984, B14

36 Lawrence Surtees, “Cellular Phone Rivals Battling to Ring up Sales,” *The Globe and Mail*, June 29 1985, B1

37 John Partridge, “Rogers Spending Plans Top \$1 Billion...” *The Globe and Mail*, March 30 1989, B1

38 Newman, 46

39 Philip DeMont, “Will Ottawa Dare Ignore Rogers' call to Cut Rates?” *The Toronto Star*, October 5 1989, E1

Grandpré, chairman of BCE, the parent company of Bell, argued that if Rogers was to gain entry into the telephone industry, Bell should be allowed to enter into the cable television market, a move explicitly prohibited by the Bell Canada Act.⁴⁰

By 1995, Rogers' calls for deregulation had been heeded, and he had bought into Unitel, a joint-venture long distance provider with AT&T and Canadian Pacific that aimed to offer an alternative to Bell's long distance services. Locked in a price war with Bell Canada, the business was a terrible failure, losing nearly twenty million dollars per month.⁴¹ By the time he managed to extract himself from the venture, Rogers had lost nearly five hundred million dollars.⁴² Despite his setbacks in the long distance business, Rogers remained a staunch supporter of the cellular division of Rogers Communications. In 1990, he told an incredulous Maclean's interviewer that by 2002, more than half of all Canadians would carry mobile telephones. At the time, only a tenth of the population used the technology, and all were expensive, bulky car phones.⁴³

In 1994, the company launched the Amigo, Canada's first off-the-shelf cellular phone aimed solely at the consumer market. It was an instant hit, and pushed their subscriber count well over the one million mark. Unfortunately, their service and billing departments were unequipped to handle the influx of new customers, and subscribers left the service almost as fast as they were joining. A simultaneous loss in the upper management of the division cost the company a great deal of talent and money, which in turn led to a decline in stock price. By the mid-1990s, the company's debts were quickly approaching five billion dollars, and Rogers had to do some fast talking to regain investor confidence in his leadership of the ailing enterprise.⁴⁴ The hard times continued into 1998, when the company was losing over two million dollars per day, and struggled to stay afloat under almost six

40 Tony Van Alphen, "Bell Boss Demands Equal Opportunity in Broadcasting," *The Toronto Star*, April 24 1989, B2

41 Sarah Edmonds, "Rogers, AT&T may grab more of Canada's Unitel," *Reuters News*, January 12 1995

42 DeCloet, 28

43 Steve Maich, "Guts, Foresight and Edward 'Ted' Rogers," *Maclean's*, vol.121, no.51, December 29 2008, 38

44 Van Hasselt, 356-359

billion dollars in debts. Meanwhile, Rogers was forced to continued to invest in his networks in preparation for high-definition television signals and high speed Internet connections. At the end of the year, he broke down and sold his Western Canada telephone assets to Calgary's MetroNet, easing pressure on the debt-ridden company, and raising over one billion dollars in much needed cash.⁴⁵

Between 1982 and 1997, Rogers lost money most every year, an amazing feat for a company that held what essentially amounted to a natural monopoly⁴⁶ over cable television in Canada, and had a strong presence in the rapidly expanding wireless telephony market. Ted Rogers would later write that “I must say one of my greatest accomplishments has been to manage this enterprise so that from 1977 to 2005, it has not paid any corporate taxes. It has traditionally been competent enough to lose money every year.”⁴⁷

During the first few years of the new millennium, Rogers completed a number of massive deals and had managed to eliminate nearly two thirds of his corporate debt by 2003.⁴⁸ Starting fresh in 2004, Rogers racked up a great deal of new debt, completing a \$1.4 billion takeover of Microcell Telecommunications, better known to consumers as Fido.⁴⁹ The deal bought Rogers almost ninety percent ownership in the company, but combined with a number of other purchases to put Rogers Communications Inc. nearly eight billion dollars in debt, with close to seven hundred million dollars paid in interest each year.⁵⁰

As a purchase, Mirocell was regarded by investors as a losing proposition. It was a distant fourth in the Canadian wireless market, had previously been in bankruptcy protection, and sported a three percent monthly churn rate, meaning that customers tended to stay on their network for only three

45 Van Hasselt, 365-366

46 A natural monopoly is defined as one that is derived from the high investment costs faced by potential competitors considering entry into a marketplace. It differs from a legal monopoly, which is one that is legislated by a government entity, like the monopoly that Bell Canada had previously held over telephone service in Canada.

47 DeCloet, 28

48 “Rogers Debt Trend Changed,” *The Globe and Mail*, January 26 2004, B11

49 Michael Posner, “The New Mr. Rogers,” *Toronto Life* Vol.43, Iss.9, September 2009, 33

50 DeCloet, 28

years. As a point of comparison, Bell was managing to hang onto most of its customers for seven years during the same period. Mirocell also had a second-rate network that only provided good cellular coverage in major cities. Rogers felt that he could improve the quality of the network by merging it with his own, leading to reduced churn and greater revenue opportunities. After the deal, more than half of Rogers' yearly revenue was came from its wireless division, and the company controlled forty percent of the marketplace in Ontario, and thirty percent in Quebec, with plenty of room for growth.⁵¹

As early as 1992, Rogers had been describing a version of the commercial Internet to the media, saying that one day, customers would be able to send sounds, pictures, and videos over a single wire; rent films from the comfort of their living rooms, and perform home banking and shopping tasks, all via fibre-optic cable connections to every home and business.⁵² In 1996, after the launch of early dial-up Internet services, he claimed that high speed Internet access would eventually make up as much of his business as the sale of cable television service once had.⁵³

In the modern telecoms market, Rogers and Bell compete directly with each other on both of their traditional media properties. Bell has moved into the television market, while Rogers has already launched a home phone initiative that aims to steal land line subscribers away from Bell. Both have been reduced to little more than common carriers, with data, voice, and video all available via their wired and wireless channels. The real fight then, boils down to the pricing and packaging of service bundles, as well as quality of service. In the short run, Rogers has an advantage because their existing cable network is capable of providing the extreme bandwidth that new data-heavy services require, while Bell's antiquated copper lines cannot.⁵⁴

On October 31, 2008, Ted Rogers was hospitalized for treatment of an existing cardiac condition. In November of the same year, his telecommunications empire turned forty-eight years old,

51 DeCloet, 28

52 Stoffman, 37

53 Maich, 38

54 DeCloet, 28

and was worth an estimated twenty-one billion dollars.⁵⁵ On December 2, 2008, Rogers died of a congestive heart failure.⁵⁶ His death came at an inopportune time for the company. The Canadian economy was in recession, Bell and Telus were providing stiff competition in the wireless sector, and the CRTC was debating the opening of the wireless spectrum to a number of new market entrants. On top of these challenges, the company was faced with the task of replacing its enthusiastic and highly-capable founder. The board of directors chose Nadir Mohammed, a nine-year veteran of the wireless division as his replacement, leaving the founders' children, Edward and Melinda Rogers, waiting in the wings for their shot at the corner office.⁵⁷

The near future will be a test of Rogers Communications' dominance in the Canadian marketplace. This year, the fiftieth anniversary of the company, will see the entrance of three new players into the domestic wireless market, with existing competitors Bell and Telus collaborating on a new, modern network, built on GSM technology, which will end Rogers' hegemony in the sector. CEO Mohammed claims that the company has the best network in Canada, and that in the time that it takes for competitors to match it, Rogers will pour its resources into increased network speeds, wider mobile device support, and better customer service, in an effort to maintain their market lead. Investors predict that the next CEO of the company will be Rogers Jr., likely some time within the next decade.⁵⁸

The contribution of Ted Rogers to Canada's communications infrastructure is hard to overstate. Under his leadership, the company that he founded transformed Canada's first FM radio station into a diverse media and telecommunications empire that affects the life of every Canadian.⁵⁹ In 1989, an anonymous competitor told the *Globe and Mail* that "[Rogers'] accomplishments make the rest of us look absolutely pygmy-like. The whole trade has sat around for 25 years and said 'he's crazy, crazy,

55 Grant Surridge, "Ted Rogers Admitted to Toronto Hospital; Horn Interim CEO," *The Financial Post*, Nov 1 2008, 7

56 Austen, B13

57 Posner, 33

58 Posner, 33

59 Austen, B13

crazy.' But he goes out and does it, and we're all embarrassed when he succeeds.” As a businessman, Rogers had a unique combination of guts, boldness, and the will to take risks that others would not, all essential traits in the building of a capital-heavy communications network. He believed that rewards flowed from risk and from personal control of his own destiny, and was averse to consensus-based decision making, holding the opinion that it resulted only in lowest common denominator decisions.⁶⁰ As a consequence, the company that he founded will face challenges when it comes to restructuring in the absence of his highly personal, hands-on leadership. In the words of Gordon Gray, a Rogers board member, “he [was] the ultimate entrepreneur. A lot of entrepreneurs aren't detail guys, but Ted is. This is unusual for lawyers. I'm not critical of the profession, but for Ted to have such technical knowledge, such a passion for getting into the details... is unusual. There's not one little niche, or corner of his business, that he doesn't totally understand. His knowledge is beyond belief.”⁶¹

60 Maich, 38

61 Van Hasselt, 93

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