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Chair

The Honourable Michael Chong

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• (0900)

[Translation]

The Chair (Hon. Michael Chong (Wellington—Halton Hills, CPC)): Good morning, everyone. Welcome to the ninth meeting of the Standing Committee on Industry, Science and Technology today, Thursday, April 15.

[English]

Pursuant to Standing Order 108(2), we are here to study Canada's foreign ownership rules and regulations in the telecommunications sector. In front of us today for our first panel of witnesses we have Mr. Engelhart, from Rogers Communications Inc., and from Shaw Communications Inc. we have Mr. Stein and Mr. Brazeau.

We will begin with opening statements from each of the companies, beginning with Rogers Communications.

Mr. Kenneth Engelhart (Senior Vice-President, Regulatory, Rogers Communications Inc.): Thank you, Mr. Chair.

Rogers is pleased to be before you today to assist with your deliberations on the foreign ownership rules.

Rogers has no formal position on the merits of changing Canada's foreign ownership rules, and likely will not have a position until such time as the government releases a formal proposal. However, we think there are important considerations that should be kept in mind and guide you as you consider possible changes to the current regime.

First, if you are going to change the foreign ownership rules for telecommunications, we think it only makes sense to change the rules for cable television at the same time. Convergence has finally become a reality. The basic structure of the telephone company network is a fibre optic cable containing voice, data, and video bits. Similarly, the basic infrastructure of the cable television company network is a fibre optic cable containing voice, data, and video bits.

Telecommunications carriers and cable television companies are increasingly offering the same services. It makes no sense to allow foreign ownership for telecommunications and not allow it for cable. They are both distributors; they are both pipes. They both carry content and communications and they do not engage in programming. If you artificially change the foreign ownership rules for telecom but not for cable television, then you make it impossible for integrated carriers to pursue the advantages of foreign ownership liberalization. You would also create a strong disincentive for foreign carriers to enter the Canadian market. Why would they want to do so when they will be precluded from offering cable TV services as part of their service package?

We would note that it is not necessary to liberalize the foreign ownership rules for programming services such as radio stations and TV stations. These entities do create programming and create and foster the development of Canadian content, which is an important policy objective in Canada. There are many who feel it would be unwise to allow programming entities such as these to be foreign-owned. You could remove foreign ownership rules for telecommunications and cable television and keep the rules for radio and TV stations.

I often hear people saying that it would be complicated to liberalize foreign ownership rules for cable television and not do so for radio and TV stations. As a communications lawyer, I disagree. Cable television services have a different type of licence from programming services. Cable television has a broadcast distribution undertaking or BDU licence. The Broadcasting Act would simply be amended to say that BDU licences can be foreign-owned and programming licences cannot be foreign-owned.

People are also often confused as to how such a regime would apply to companies like Rogers, which provide telecommunications, cable television, and programming services. If a company such as this wanted to sell its cable television and telecommunications assets to a foreign entity, it simply could not sell the radio and TV stations to that foreign company. They would have to stay in Canadian hands. This would not be a form of structural separation; it would be a divestiture of these assets.

I would also like to take issue with the Competition Policy Review Panel report. This report argued that Canadian telecom companies with a market share of 10% or less should have no foreign ownership rules immediately and that larger telecom players and the broadcasting sector should see liberalization after a five-year period. If liberalization of the foreign ownership rules makes sense, it makes sense for all players. Micromanaging the market to change foreign ownership rules for one part of the market today and another part in five years introduces artificial barriers and distortions. It makes no sense to allow large global players to enter the Canadian market and to buy and sell their assets to anyone on the planet without allowing Canadian companies to do the same thing. The government needs to decide whether telecommunications networks can be foreign-owned, and if they can, all of the networks should have the same rights.

● (0905)

The Canadian telecommunications market is an exciting, vibrant, and dynamic market, and Rogers is proud of the role we play in it. We have the fastest, most powerful wireless networks in the world, and our ultra-fast wireline broadband networks deliver world-beating levels of reliability and performance. Canada leads the G-8 in broadband penetration, and we lead the world in the proliferation of HSPA plus, high-speed packet access wireless networks. Rogers intends to be a proud contributor to the Canadian telecommunications sector, whether or not the foreign ownership rules are changed.

I look forward to your questions.

The Chair: Thank you, Mr. Engelhart.

We will now have an opening statement from Shaw Communications.

Mr. Ken Stein (Senior Vice-President, Corporate and Regulatory Affairs, Shaw Communications Inc.): Good morning.

Thank you, Mr. Chairman and members of the committee. We at Shaw also appreciate the opportunity to participate in this proceeding.

I am Ken Stein, senior vice-president of corporate and regulatory affairs at Shaw Communications. I am joined by Jean Brazeau, who is the senior vice-president of regulatory affairs. I will start our presentation, and Jean will conclude.

We support the initiative taken by the committee to study Canada's foreign ownership rules and regulations. We urge the committee to ensure the non-discriminatory elimination of restrictions on foreign ownership under the Telecommunications Act and the Broadcasting Act.

Shaw has consistently demonstrated our commitment to Canada's productivity by investing, innovating, providing facilities-based competition, serving customers, and employing now over 10,000 Canadians. As Canada moves to a knowledge-based economy, investments in digital infrastructure are the most important investments we can make.

Shaw has invested \$6.5 billion since 2000. As a result, our 2.3 million cable customers have benefited from significant capacity upgrades to support over 150 digital services, 50 high-definition channels, pay-per-view, video on demand, and 3-D television. We

have over 9,000 satellite customers, including many in rural and remote communities.

We have over one million high-definition customers. We have one million digital phone customers; in fact, 42% of our cable customers now take our phone service. We have 1.7 million Internet customers. We provide customers with Internet speeds up to 100 megabytes per second, and this year we expect to become Canada's first provider to trial the use of gigabit Internet technology delivered over fibre to the home, which will offer revolutionary speeds of 1,000 megabytes per second.

We have closed the broadband gap—despite what some people may say—by providing high-speed Internet service to small towns such as Wasa, British Columbia; Magrath, Alberta; Stonewall, Manitoba; and Red Lake, Ontario. Our critically important investments and our deployment of new technologies should be supported, not undermined, by government policy and regulation, including the foreign investment rules.

We would like to make the following specific recommendations.

First, as we have just explained, we are not just a cable company. We are a fully integrated communications company. We compete with other telecommunications, cable, and satellite companies in telephony, wireless, Internet, and television distribution markets. In this converged environment, it is unacceptable to lift ownership restrictions in only one sector or for the benefit of only one group of competitors. Such an approach will inappropriately distort the market and provide certain competitors with a significant and unfair advantage. Any changes that are discriminatory or unfair will not help achieve our policy goals of increased investment and greater productivity. Furthermore, we do not support the incrementalist approach to amending the Telecommunications Act as recently proposed in the budget implementation bill, because the rule changes apply only to one narrowly defined sector.

Our second point is that Canadian cable and satellite distribution companies must not be treated differently because of misconceived cultural concerns. In countries across the world, foreign investment has helped create strong cable and satellite companies without compromising domestic cultural or other public interest objectives. The U.S. has no foreign ownership restrictions on cable companies, or for that matter on cable programming services, and they maintain those restrictions only for over-the-air broadcasters. Moreover, European Union member states do not restrict foreign investment in telecommunications and cable companies. This is so even though they are concerned about the cultural influence, as are we, of U.S. media content. To address those concerns, the EU mandates effective domestic content rules for broadcasters and it permits member states to enact cable carriage rules. This is appropriate. However, the EU sees no contradiction between open capital markets and cultural regulation. In Canada, the policy objectives of the Broadcasting Act have helped to ensure predominance of Canadian content.

● (0910)

The rules governing content will stay in place, regardless of who owns the pipes.

Jean.

Mr. Jean Brazeau (Senior Vice-President, Regulatory Affairs, Shaw Communications Inc.): Our third message is that we are opposed to the rule changes that benefit foreign entrants but harm domestic companies. Such an approach is not good public policy or in the best interests of Canada or Canadians. Therefore, it would be unfair and discriminatory to allow a foreign company to establish a new business in Canada or to acquire an existing telecommunications company with a market share of up to 10%, as proposed by the Competition Policy Review Panel. It would be ironic to provide advantages to foreign competitors while restricting the ability of Canadian companies to access foreign capital.

Finally, we would like to address an increasingly harmful level of red tape, regulation, and tax that threatens to undermine many of the government's objectives for the digital economy.

On June 1, Shaw and other parties will appear before the Federal Court of Appeal, because the CRTC wants the jurisdiction to regulate and tax ISPs. In September, we will return to the Federal Court of Appeal, because the CRTC wants to create a new copyright over broadcast signals. The CRTC proposes a regime that will allow broadcasters to remove their signals and black out U.S. programming unless distributors agree to impose another fee on their customers. These taxes are in addition to the new 1.5% levy on cable revenues for the local programming improvement fund, the required 5% revenue contribution to Canadian content, and several other fees paid by our customers to subsidize broadcasters and producers.

Currently, Shaw customers pay over \$140 million dollars a year as a result of indirect CRTC taxes. This is money that is not reinvested to deploy new technologies, improve Internet speed, enhance customer service, or extend our broadband reach. The CRTC taxation and subsidy regime damages productivity and stifles innovation. This is inconsistent with the government's stated policy of stimulating economic recovery.

Regulatory taxes and subsidies are also inconsistent with the bold investment-based approach advocated by the government and

currently being studied by this committee. We ask this committee to approach changes to the foreign investment restriction in a manner that is competitively neutral for all telecommunications and broadcasting distribution companies. Public policy for the elimination of foreign investment restrictions and the elimination of red tape and taxes should not pick winners and losers. It should provide a level playing field and a new climate for increased investment and productivity to strengthen Canada's economy.

We thank the committee, and we look forward to answering your questions.

● (0915)

[*Translation*]

The Chair: Thank you for your presentation.

We will start with Mr. Garneau.

[*English*]

Mr. Marc Garneau (Westmount—Ville-Marie, Lib.): *Merci, monsieur le président.*

I would like to ask all of you, first of all, and I would appreciate a simple answer if you can, whether, in your opinion, the government discriminated in its decision to allow Globalive to become a player in the Canadian market, arguing that it satisfied Canadian ownership rules.

Mr. Kenneth Engelhart: Sure, I'll go first.

I think the evidence showed that Globalive did not meet the foreign ownership rules. The Canadian test has two parts. One is the number of shares you can own, and they satisfied that part. The other part is the control-in-fact test. The control-in-fact test really says to stand back, look, and ask who really is running this thing. It is pretty clear from all the evidence that Orascom is running it. It's all their money, all their expertise, and all their brand. So we think the government made a mistake in overturning the decision of the CRTC. Even more disturbing, the CRTC convinced Globalive to make a whole lot of changes to their contract. And Industry Canada approved it even before then. They gave them their licence when none of those changes had been made, when the case was even more stark that the company was controlled by a non-Canadian. I think the wrong decision was made.

Mr. Jean Brazeau: I think, simply, that we would have preferred a pre-qualification prior to the auction. I think we could have resolved all the issues at that point in time. As to whether the government made the right decision, we don't really have a position on that.

Mr. Marc Garneau: On Tuesday the CRTC appeared in front of this committee. One of the proposals made by the president was that given the very high degree of convergence—and you are two very good examples of it—within the communications sector, if I can use that term, we should not really be looking at simply making a possible modification to the Telecommunications Act, but that the time has come to unify the three acts. I'd like to have your opinions on that suggestion.

Mr. Kenneth Engelhart: I'm not a fan of amalgamating the three acts. If you look at the United States, they have a single communications act, but then there's a section that deals with cable TV, a section that deals with telecom, and a section that deals with spectrum issues, and those sections are all quite separate. The Americans have sort of taken three separate pieces of legislation and stuck them together in one act.

The purpose of telecommunications legislation is really to regulate until such time as market forces can take over. The purpose of broadcasting or Canadian content regulation is to make sure that market forces never take over. So the two types of legislation have really quite different purposes, and I don't see a lot of merit in combining them.

Mr. Ken Stein: We would agree with that position. Our view of how things need to be dealt with is that there needs to be a stronger role, quite frankly, in the policy environment, for Parliament and also for government, in terms of setting policy direction for the regulator. So our view would be that there should be more strength on that side of it. As for the need to change or integrate the acts, our view is that when you look around the world, that would not really be the solution to the problems we see facing us. The problems we see facing us over the next number of years have much more to do with the regulatory overburden than they have to do with the legislative situation.

Mr. Marc Garneau: Thank you.

Can I ask if either of the two companies is currently at its maximum foreign ownership limit?

Mr. Jean Brazeau: I couldn't give you an exact number, but I don't think—

• (0920)

Mr. Ken Stein: We're not even close.

Mr. Marc Garneau: You're not even close, and....

Mr. Kenneth Engelhart: We're not even close.

Mr. Marc Garneau: You're not even close. Okay.

Mr. Engelhart, I'd like you to talk a little bit more about the two kinds of licences. You alluded to them in your remarks. You talked about BDU licence and also programming licence. Could you for our benefit expand a little more on the distinctions between the two and on why you see no difficulty in differentiating?

Mr. Kenneth Engelhart: BDU licences cover the rules regarding distributors. So distributors have to carry programming from only these categories. The CRTC actually lists out exactly what foreign signals you can carry and what foreign signals you can't carry. Canada probably has the most prescriptive regulatory regime for BDUs in the world, and it's all kind of laid out there. There are rules

regarding distributors and even dealing with things like the transfer of inside wiring, when the customer changes suppliers.

The programming licences of radio stations and TV stations are quite different. They deal with things like how much Canadian content you have to air in prime time, how much local news you have to show, whether you are allowed to be a sports service or a home and garden service. So the kinds of licences are quite different, and it's very simple, in my view, to say the one kind can be owned by foreign entities and the other kind cannot.

Mr. Marc Garneau: Getting to the substance of that, it is because you don't see the one as having, if you like, a cultural imperative, a cultural content factor that has to be taken into account?

Mr. Kenneth Engelhart: I wouldn't say that there's no cultural content to cable television. I would say that it's much smaller. It's the programming services that really decide the Canadian content. To be a cable television operator in Canada, you don't have a lot of choice in what you carry and what you don't. You have a little bit of control over what channel number you put them on and how you package them, but I don't think the packages a foreign entity is going to put things in are going to be very different from the packages that a Canadian entity would. TSN is a hugely popular sports service, and if you're a foreigner or a Canadian, you're going to want it in your most popular package.

So I think the cultural component is much less for cable TV—much less—and its role as a distributor is much greater.

The Chair: Thank you very much, Mr. Engelhart.

Monsieur Cardin.

[*Translation*]

Mr. Serge Cardin (Sherbrooke, BQ): Thank you, Mr. Chair. Good morning and welcome to you, gentlemen.

I will share my time with my colleague, Ms. Lavallée.

According to your response to Mr. Garneau's question, you do not consider Globalive a Canadian company under the law. A number of people, including those at the OECD, have said that we should open the market to foreign capital because, in their view, we are lacking in investment, cutting-edge technology and competitiveness.

Have you seen the OECD report? What do you make of it? And what are your thoughts on our technology, innovation and competitiveness?

[*English*]

Mr. Ken Stein: If I could start on that, in terms of the Globalive situation, the government has made a determination under the rules that, since they have a difference from the CRTC, would mean the rules probably need some clarification in this sense.

Our concern is, and in terms of the OECD, we don't want to see the rules changed to encourage and provide incentives for foreign entrants. That's fine, right? Foreign entrants can come in the country. We want to have the same rules. So if a foreign entrant is allowed to come in and use foreign investment in order to strengthen competition in Canada, then we feel, as Canadian companies, we should be able to access foreign investment to achieve the same objectives.

Shaw is a new entrant in the wireless business. We don't even have one wireless customer yet. But we would be disadvantaged against another company coming in as a foreign entrant as proposed by the OECD, when that company could come in using all the advantages of foreign investment that would be denied to Shaw.

Our concern is that there needs to be an equal playing field in this. That's our main issue with respect to this: foreign investment rules should be changed so that Canadian domestic companies, which are owned and controlled by Canadians, have access to foreign investment capital.

● (0925)

Mr. Kenneth Engelhart: Regarding the second part of your question about investment, Canada leads the G-8 in broadband deployment. We have much higher broadband deployment than most OECD countries, and the latest concern of governments has been with ultra-fast broadband. In France, you can really get ultra-fast broadband mostly in Paris. In Canada, Shaw, Rogers, Videotron, Cogeco, EastLink, we all offer ultra-fast broadband. That is 90% of Canada's population right there.

In wireless, the latest and greatest thing is ultra-fast wireless broadband, a network called HSPA plus. There are 17 networks like that in the world, and Canada has three of them: Bell, Rogers, and TELUS. So I disagree very strongly with people who say that Canada lags in investment and innovation.

Now I understand the OECD's point. They're saying free markets are a good thing and open entry of foreign entities is more free. I understand that. But I disagree with their notion that we lag the world. In fact, we're leading the world.

[Translation]

Mr. Serge Cardin: I will give the floor to my colleague.

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): I am the Bloc Québécois heritage critic. I am not normally on this committee; I am on the Standing Committee on Canadian Heritage.

The cultural community in Quebec is very concerned about the threat that opening the telecommunications sector to foreign ownership poses to culture. A number of witnesses have told us that the telecommunications and broadcasting sectors will be one and the same in the future. Even though you may not want us to combine the two pieces of legislation, the fact remains that telecommunications stakeholders and companies are now involved in broadcasting. Even if they are only in telecommunications, companies that control access, control content, and content is culture.

We see that you are in majority Canadian-owned companies under the CRTC's rules and that you are not willing to make concessions for the cultural community. You do not want to pay the CRTC fees to encourage local production. You feel fettered by all the CRTC measures requiring Canadian or Quebec content to be shown during prime time.

So how can we expect companies with majority or extensive foreign ownership to agree to comply with measures aimed at protecting Canada's and Quebec's culture?

[English]

Mr. Kenneth Engelhart: First of all, we have tried to be sensitive to those concerns in our remarks today. That's why I said you could allow programming services to remain Canadian-owned. That seems to be a concern with people.

My argument is let the programming services, the ones that really develop Canadian content, remain Canadian-owned; but the distribution businesses, telecom and cable, can be foreign-owned.

I'd also disagree with your assessment that cable television companies don't make contributions to Canadian content. We give hundreds of millions of dollars in subsidies to funds. We are also one of the most heavily regulated cable television sectors in the world. The CRTC is very prescriptive about what we can carry and what we cannot carry, how we package it, and how we place it before customers. All of those rules are designed to give Canadian services priority of placement.

[Translation]

Mrs. Carole Lavallée: If I still have time, I would like to add something before we move on to someone else.

The reason it is the most heavily regulated sector is that when it is not regulated, you do nothing. Take the film industry, for instance. Movie theatres are not regulated. In reality, 98% of Canadian movie theatres—it is not quite so high in Quebec—show American movies. That is what happens when we do not regulate.

Furthermore, the vice-president of CBC himself said that Canada was the only country in the world where people preferred to watch the television shows of their neighbour, the Americans.

That is all; I will let you respond.

● (0930)

[English]

The Chair: Mr. Englehart.

Mr. Kenneth Engelhart: I can't speak for the movie distributors, but we own Rogers Video and we make a real point, even though we're unregulated, of having Canadian videos and identifying them in a Canadiana section.

The Chair: Thank you very much.

We are going to go now to Mr. Lake.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair, and thank you to the witnesses for coming before us today.

In your remarks, Mr. Englehart, at the beginning you talked about having the fastest networks. I'm sure we will have some witnesses come after you who will say the same thing. How do we know? Who really has the fastest networks?

Mr. Kenneth Engelhart: It's a very good question. One of the difficulties, when you look at international studies of how fast these things are, is that the OECD, for example, looks at advertised speed. That's not a good way of figuring out who is the fastest. People lie a lot in their advertisements about how fast their networks are.

At Rogers, and I believe most of the cable companies in Canada are the same, we engineer our network so that we give you the speed advertised most of the time. It's not a guaranteed service. We engineer our networks so that in peak periods 80% of our customers get the speed that is advertised. Customers can measure this themselves using speed-test sites. That is really the acid test: what are people actually getting in their homes?

Mr. Mike Lake: I want to go back to testimony from our previous day of meetings, from Dimitri Ypsilanti from the OECD. I'll just read from his testimony and then have you remark on what he has to say. He says:

What about the costs of foreign investment restrictions on the telecommunication sector? I believe these costs are quite high. First, there's a higher cost of capital and the potential difficulty for new entrants to get access to equity capital. Canada, relatively speaking, has a fairly small capital market, and in a capital-intensive sector such as telecommunications, it is important for companies, even if they're Canadian-based companies, to go outside to obtain equity capital

Let me start with Shaw and get your remarks on that.

Mr. Ken Stein: I think Mr. Shaw a number of years ago indicated exactly that point. It's not necessarily a cost, as such, but it's a check mark; in other words, that when you're looking for investment, people see any regulatory restrictions as something they have to be concerned about and look at, to determine what the efficiency of the investment is.

There are foreign investment limitations when you are raising capital. Absolutely, you have to raise significant amounts of capital outside of Canada, from capital pools. We couldn't have spent \$6 billion over the last decade without having to go to foreign markets to raise much of that capital. We have done some significant bond deals in the past year of over \$1 billion in Canadian and U.S. markets.

It's a very important issue for us in terms of being able to raise the capital in the first place and then being able to attract investors of the kind we want to attract.

Mr. Jean Brazeau: Let me add that when we go to the U.S. market, Canada is a very small country for the U.S. investors. They have a pool of investment to make, and they allocate this pool of investment to various countries. There are various sectors as well. By the time they get to telecom or broadcasting in Canada, it's fairly far down the list of the investments they're making.

Then they look at the ease of making that investment. The more regulation you have and the more constraints you have, the less interesting and the higher risk it is for these investors. They just then say "sorry" and go somewhere else. They'll go to.... I don't know; pick a country.

So even though we're not pure new entrants—although Ken mentioned that we are in wireless—we still face many challenges in raising that capital.

Mr. Kenneth Engelhart: I would agree with those comments.

I'd agree with the gentleman from the OECD that the trade-off you have to make as a government is that on the one hand, if you liberalize, you lower the cost of capital in the fashion that the OECD said; on the other hand, you have to worry about the loss of head office jobs, R and D jobs, and the like.

That's the kind of calculus the government has to go through.

Mr. Mike Lake: Earlier there was a question about not having taken greater advantage of what the current rules allow by way of foreign investment. I think I may be hearing a little bit about why that might be the case, in terms of the overall package and in terms of investors who potentially want to make a more significant investment, if they can't make that more significant investment, not making an investment at all. Is that an accurate portrayal?

● (0935)

Mr. Kenneth Engelhart: If you read Mr. Rogers' biography, *High Wire Act*, you'll find it describes the high wire act whereby he was trying to raise capital throughout his career, almost going under three times.

During that career, I'm sure he could have benefited from foreign ownership liberalization. However, at this point, Rogers is not capital-constrained; we really don't have any difficulty, after Mr. Rogers' successful 40-year journey, in raising capital. That's why we don't need to have foreign ownership of our floating equity.

Mr. Ken Stein: We have no constraints in terms of capital at this time. Our main concern with changes to the rules would be that we would be disadvantaged going forward; that the small pool of money Jean was talking about would no longer be available to us at Shaw but would be available to somebody else who is coming into Canada to do stuff. That would be our concern.

Mr. Mike Lake: It's fair to say that it may have been more of a concern back when these companies were starting. Then again, it may also be a hindrance to new entrants getting into the market and competing. Might that be accurate?

Mr. Kenneth Engelhart: As I said before, I agree that removing these rules lowers the cost of capital, absolutely.

Mr. Mike Lake: Okay.

Also, the OECD report and other commentators have mentioned that Canadians pay more for their services and simply don't get the same level of service or technology. More than one commentator has said that. It seems to be something that's widely accepted. What do you have to say to that?

Mr. Kenneth Engelhart: I really think that many of these studies, particularly many of the OECD studies, have a lot of malarkey in them. The OECD wireless study, for example, shows the U.S. as the most expensive wireless country in the world. Most people think the U.S. has a very competitive wireless industry.

You have to look at the right metrics when you're making these comparisons. In wireless, for example, you could ask what the average revenue is per minute. That's the simplest, easiest way to compare countries, and when you do that, Canada is one of the ten cheapest countries in the world. If you look at our broadband services and at the speeds you're actually getting, as opposed to the speeds that people are advertising, again we provide some of the best value in the world. So I think that if the studies are done properly....

There was a World Economic Forum report that came out showing Canada as seventh-best in the world. Professor Waverman wrote an editorial in *The Globe and Mail* a few weeks ago in which he showed that the OECD studies were wrong and that Canada was one of the cheapest countries.

If you look at the right numbers and look at the question properly, I believe we're doing very well in Canada.

The Chair: Thank you very much, Mr. Engelhart.

We'll go to Mr. Masse.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

Thank you for being here today.

Since we're talking about revenues, what were your profits last year?

Mr. Kenneth Engelhart: I don't know the exact number, but you have to look at a company over the course of the business cycle. Over the course of the business cycle our profits have not been unusual, and over the course of our history our profits have probably not been positive.

Mr. Jean Brazeau: I think a better number to look at is return on capital. If you look at the return on capital, the amount of capital that was invested in companies like ours, the return is pretty low. It would be in the low single digits.

Mr. Brian Masse: I'd ask the researcher to provide information of our incumbents' profits over the last ten years. The reason I ask is because I've heard complaints this morning about the CRTC and the fees you're paying. You mentioned it's passed on to the cable subscriber, but I think that's important in the equation of looking at this.

One of the interesting things that I thought didn't get a lot of attention when the CRTC appeared before us the other day was that they didn't think there was room in the Canadian market for seven or eight players. The implications are that we open up, there will be mergers or buy-ups, consolidation again, and perhaps we'll be back to a few players. I wonder what you think about the statement that the CRTC made at the hearings last week.

• (0940)

Mr. Kenneth Engelhart: Essentially I agree with them. If you look at the wireless sector, most countries in the world have two big players, a third player that's hanging around, and sometimes a fourth

player that is quite badly in fourth place. Canada has three big healthy wireless companies that are knocking each other over the head in competition every day. The idea that we're going to see five, six, seven competing networks in Canada I think is unrealistic.

Mr. Ken Stein: Our view would be that in terms of new services, from a customer point of view the most important is our ability to offer multiple platforms. It's difficult for new entrants to come in and be able to do that. From a customer point of view there would probably be that kind of consolidation because of the advantages of one provider being able to offer multiple platforms.

On the other hand, we've learned over the past decade that it's very difficult to predict how technology is going to unfold. It's going to be very difficult to see what the new wireless applications are.

We have some interesting ideas. We've waited a bit to be able to invest in a new technology for the wireless services we'll be offering. They will offer further applications, and I think that's going to provide more richness.

It may well be that there will be different entrants, if they can figure out certain niches. It's the same in programming services. We used to think there would be a few companies, then it became maybe 20 or 25 companies, and then it came back to a few companies again. It will go back and forth. The one thing we've learned about technology is that you get a lot of start-ups, a lot of them get consolidated, and then you get a whole bunch of other start-ups again. It goes in waves. There's no real defined number; it cycles through.

I think the main thing you want to encourage is large companies and small companies to be innovative and entrepreneurial and provide them with the opportunities to develop new kinds of applications. The ability to develop those kinds of applications is probably the problem we face in Canada. For whatever set of reasons, the ability to develop new applications is a challenge for us in Canada. I think that's going to be really important as wireless unfolds as a new platform.

Mr. Brian Masse: The reason I started the questioning with regard to the profits and then with regard to the CRTC is that it leads to the real meat of this. You've taken a position on Globalive. For whatever reason, the minister and the government have decided to overturn the CRTC decision and actually go through a very unusual process with Globalive. I haven't seen that type of behaviour ever before. And there's motivation to do so.

Why do you think that motivation is there? I understand the argument of comparing apples to apples in terms of services and costs and what you get as a consumer, but I think Canadians generally don't feel they're getting the best value for what they're paying for services. That's the representation I get from my community and constituents. They do get some really good services, there are some products out there, but they always feel a bit behind. They also feel they're paying an extra premium and not having as much choice. That's probably why the government has taken such a position on Globalive.

The ministers are publicly complaining about competition. What do you think that says about the current situation?

Mr. Ken Stein: Can I just go back to the profit situation? My answer does relate to the point you're making right at the moment. We pointed out to the CRTC over the past few years that basic cable does not make money. The investments we make where we generate a return on our investment are in new services. Basic cable is so regulated and so constrained that there is not money to be made. As Bell pointed out to the commission, when the commission released its numbers before they released their value-for-signal discussions, they included in the broadcast distribution undertaking revenues telephony and Internet services. In the investments we've made, that's where the profits come from.

So if you're looking at Shaw as a company, you have to compare it with other companies of similar size and revenues and capital structures, and those comparisons are not.... Yes, we do well, but are we way up there in terms of a return on investment? No, we're not up there in terms of that kind of measurement. And that's the appropriate measurement to make for a capital-intensive company like ours.

In terms of trying to look at our customer satisfaction with our services, it's measured in the marketplace. We have nearly two million Internet customers because we provide value. We have a million phone customers—in the period of, what, four to five years—because we provide value. We maintain our basic cable subscribers because we maintain value. When I look at comparisons with the U.S. or in Europe, we own systems in the United States. Our basic cable in Canada is half the bill the people in Houston are paying.

• (0945)

The Chair: Thank you very much, Mr. Stein.

Mr. Rota.

Mr. Anthony Rota (Nipissing—Timiskaming, Lib.): Thank you, Mr. Chair.

Thank you for being here this morning.

Telecommunication networks are critical to the economy. It's becoming what telephone was years ago, and it's a basic service that has to be out there. We're finding more and more that if you don't have it, you're falling further and further behind. As parliamentarians, our goal is to ensure that services are widely available, modern, high quality, and reasonably priced. The argument I've been hearing, up until today, it seems, is that if you want better service, better coverage, you have to open up the markets and let the markets prevail. I believe, Mr. Engelhart, you mentioned that we have to

work at it until markets take over and until we get to a certain point, and then it will be fine.

Now my concern is that by opening it up, we talk about foreign investment, and there's a difference between foreign investment and foreign ownership. I think Mr. Masse touched on it earlier, in that if we allow foreign ownership, then it's a whole different story. What ends up happening is we end up with a branch plant, and major centres will be covered but I'm not sure about rural Canada. That's an area that really interests me, being from a rural area.

How do you see the changes coming up affecting services in rural areas, or the changes that just happened, such as what happened with Globalive with the trust in the market?

Mr. Kenneth Engelhart: Globalive isn't going to do anything for the rural areas. They are honest about the fact that they are going to only provide service in the major urban areas. None of the new entrants will go to the rural areas. We're already doing a huge amount. This revolution in wireless broadband is something that I would urge this committee to take note of.

Up at our cottage, which is never going to have cable, never going to have high-speed Internet from the telephone company, I have my Rogers Rocket Stick—I know this sounds a bit like a commercial—I put it in my computer and I have high-speed Internet, and I'm down at the bottom of a hill, where you would think the radio coverage wouldn't be good. I have great high-speed. There are huge parts of the country that were never going to get broadband that have it now because of wireless broadband services that Bell, Rogers, and TELUS are rolling out. So this is a huge factor in promoting broadband growth.

Look, I would agree with your comments that the cost of capital has to be traded off against the head office jobs. I would agree with that. But in terms of rural broadband, I think Canada is doing much better than most countries.

Mr. Ken Stein: Can I just respond?

I have a cabin in Mr. Clement's riding, and I'm amazed at the level of television service I get through Shaw Direct and my Bell high-speed wireless service, which is phenomenal. Over the last ten years we have seen significant improvements in our access to communications and telecommunication services from whatever providers there are. So I think Canadian companies are doing a phenomenal job in rolling out service to rural and remote communities.

If the government really wanted to do something in this area, one of the things it could do would be to try to get Bell and Shaw Direct, and any others that want to participate, to invest in a Ka-band satellite capability in order to develop high-speed Internet services in remote areas. It would cost in the order of hundreds of millions of dollars, maybe billions, but it would be a phenomenal step to take. We would be world leaders in the innovative use of spectrum to provide high-speed Internet services in those areas. That would be a more innovative approach for dealing with these issues than allowing foreign entrants in, who aren't actually going to serve those areas. They're not interested in serving Red Lake, Ontario. As Kenneth pointed out, they're going to compete in Toronto.

• (0950)

Mr. Anthony Rota: That's exactly my concern with the opening up of the market. How does that affect you as far as servicing rural areas is concerned?

I have constituents come to me constantly who say they have no service. I'm not sure how well the Rocket works. I don't know if it even exists—but I guess it does in northern Ontario in certain places. Mine is a Rogers' phone and it works well throughout—I just want to point that out—wherever you get service, but there are a number of dark spots. Norm Hawirko, a constituent in my riding, is 20 minutes away from Temiskaming Shores. He's trying to run a business but can't do it.

How do we encourage that? Just last night I was talking to a lady, Cindy Duncan McMillan, from Farrelton, Quebec, just an hour north of Ottawa. That's not that far north. She runs a business selling beef, but to send her price list out, it takes 20 minutes because she's on hard wire. She tells me she doesn't have an alternative. How do we get around that?

I guess you anticipated my question and where I was going. Maybe, Mr. Engelhart, you can elaborate on what we can do as a government to ensure that rural ridings, rural constituents, get service.

The Chair: Briefly, Mr. Engelhart, and then we'll go to Mr. Braid as our last member.

Mr. Kenneth Engelhart: I can assure you that Rogers is working on that. We just recently announced a deal with Thunder Bay Telephone, which is going to roll out our broadband service in a joint venture to much of northern Ontario. I'm not sure if it includes your riding, but we have other deals in the works, including one in Manitoba, for example.

So pushing high-speed wireless broadband out to rural areas is very much a priority. We're doing that because of the competition between Bell and Rogers and TELUS. Many of our critics try to pretend there is no competition between Bell and Rogers and TELUS, but if you look at the vast investments we are making in the marketplace, you can see the competition is very fierce.

The Chair: Thank you very much.

The last member for our first panel is Mr. Braid.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you very much, Mr. Chair.

Thank you to the witnesses for being here this morning.

Mr. Engelhart, if I could start with you, please, sir, you referred in your presentation to the advantages of foreign liberalization. Could you outline what those advantages are?

Mr. Kenneth Engelhart: Yes. The main advantage really is the cost of capital. It makes it much easier and much cheaper to obtain investment, and that's not just equity investment. It's true of debt as well, because if somebody loans you money, one of their questions is "What happens if you don't pay me back?" The normal result from a debt instrument is that you acquire control of the company, but that's a huge problem if you're a foreign lender, because you can't acquire control of that company. You can't in effect take that company's assets as a pledge against your debt. So Canadian ownership rules affect the costs Canadian firms face in raising capital.

Also, in the venture capital space, one of the areas where Canada does need some work is in start-ups, which are funded by venture capital. Venture capitalists want to have a path to control of the company they are funding. That can't happen very easily with foreign ownership rules.

Mr. Peter Braid: Thank you. You're preaching to the choir on the importance of supporting start-ups, I might add.

I wanted to come back to an earlier theme, through questioning from both Mr. Garneau and Mr. Lake, with respect to the current limits for foreign investment. If foreign entrants are allowed into this space, why couldn't you just simply take advantage of maximum limits for foreign investment? You indicated you're not doing that now.

Mr. Kenneth Engelhart: We have no interest in selling part or all of our company to foreign investors or others. The Rogers family has no current plans to do that. I'm not here advocating for or against liberalization. I believe Rogers will do well under either scenario.

Mr. Ken Stein: I'd just like to say, from a Shaw point of view, J.R. Shaw didn't spend 40 years of his life building this company to turn around and sell it. Quite the contrary: we're always looking for acquisitions in terms of trying to expand the company and become more competitive. Our interest in the foreign investment issue, and Jim has said this, is we're interested in acquiring assets, not the other way around. Our interest in foreign investment is just to be able to raise the capital we need to extend services to our customers.

• (0955)

Mr. Peter Braid: Very good.

Finally, in this emerging digital age, I wanted to ask if you could comment on what you think the future looks like, what your customers will want in that future world, and how the regulatory environment can support where the future is going.

Mr. Ken Stein: What we've learned in this business is you can't predict what customers are going to do and respond to. The one thing we do know is that two of the most important things over the next decade are going to be television and broadband. And the ability to develop, in creative ways, content and ability to deliver that content to Canadians in an accessible way, and the richness.... You can't predict what kinds of applications are going to come along in terms of this.

My son runs security stuff for Facebook in the United States, and the biggest application is Farmville. Who would ever have predicted that would be a large application and be a big money-maker? You don't know how these things are going to respond. It's a very difficult game to be able to predict.

The one thing you can be sure of is that if we're able to continue to invest in it and to continue to build that capability then that will provide the opportunity for entrepreneurs to take advantage of it. And that's the kind of business we see ourselves in, to be able to provide that platform in multiple ways so Canadians can have the opportunity to develop new services for people that they want to have, and to let it rip.

The Chair: Thank you very much, Mr. Stein.

Thank you, Mr. Braid and Mr. Brazeau and Mr. Engelhart, for your testimony today.

We'll suspend for a couple of minutes to allow the panels to change. This meeting is suspended.

• _____ (Pause) _____

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•(1000)

The Chair: We're coming out of suspension.

We'd like to welcome our new panel of witnesses. This is our ninth meeting of the Standing Committee on Industry, Science and Technology. We're here pursuant to Standing Order 108(2) to study Canada's foreign ownership rules and regulations in the telecommunications sector.

I welcome all of you. We have representatives from three different companies here in front of us today. From Bell Canada, we have Mr. Bibic. From MTS Allstream, Mr. Peirce, and from TELUS Communications, Mr. Hennessy. Welcome to all three of you.

We'll begin with an opening statement from Bell Canada.

[*Translation*]

Mr. Mirko Bibic (Senior Vice-President, Regulatory and Government Affairs, Bell Canada): Good morning, Mr. Chair and members of the committee.

I am pleased to share Bell's views on possible changes to Canada's foreign ownership rules in the communications sector. Before I do, I would like to briefly tell you about Bell.

We are Canada's largest communications company, offering wireless, TV, Internet, and wireline voice services to residential and business customers. We have 50,000 employees and \$17 billion in annual revenue.

For 2009 and 2010, we will have invested \$6 billion in capital, all in Canada and all during the great recession. This includes hundreds of millions of dollars to build the most advanced broadband network any Olympic games has ever had, which delivered every image and sound to more than 3 billion people worldwide.

Bell Canada is also now the largest R&D spender in the country. Ours is one of the most widely held stocks in Canada. So we touch Canadians not only as their communications service provider, but also as an investment and savings vehicle.

•(1005)

[*English*]

While we seek to be helpful by providing a concrete proposal, which we will do, developing our position has been a challenge. I say this because proposals typically are intended to solve an identified problem. In this case, the objectives are less than clear. There is a perception that wireless pricing in Canada is high and that we lag behind in investment and innovation. This simply is not correct, and misperceptions should not drive policy in Canada. We will soon have nine national or regional wireless carriers in our country. Only one European country has even five. Canadians already enjoy the second-lowest average wireless cost per minute among the G-7. I believe we are third-lowest among the G-8, and the ninth-lowest in the G-20. We have three providers operating on state-of-the-art 3G HSPA plus networks, and there will soon be more.

Bell's brand-new wireless network reaches 93% of the Canadian population. This means that since November 2009, thousands of small and rural communities across the country, such as Happy Valley-Goose Bay, Summerside, Chicoutimi, North Bay, and High Level, have had access to high-speed wireless broadband. We lead the world in wireless technology today. The U.S. in fact lags behind us.

That said, we do acknowledge the benefits of being global in our thinking. So Bell is not opposed to relaxing the foreign ownership rules, provided any new rules apply symmetrically between large and small carriers and between carriers who have broadcasting assets, known as integrated carriers, and those who do not. Symmetry keeps the playing field level and avoids favouring some carriers over others. You certainly heard my colleagues from Shaw and Rogers this morning express the same concerns rather emphatically.

Changing only the telecom rules but not the broadcasting rules will have little positive impact. As you heard this morning, almost every telecom carrier in Canada today—Vidéotron, Shaw, Rogers, Bell, etc.—has broadcasting assets, so a telecom-only fix won't help the integrated carriers, all of whom would still have to satisfy the current thresholds if the broadcast rules were left unchanged.

[Translation]

To the contrary, we would be placed at a cost of capital disadvantage relative to the pure-play telecom providers. Surely there is no public policy benefit to disadvantaging the integrated carriers, who all make significant capital investments in Canada, who offer service to large and small communities alike and who create tens of thousands of well-paying, highly skilled jobs in Canada.

Ironically, a telecom-only fix is equally unlikely to help new entrants because they likely would have to remain pure-play telecom providers with no scope to provide the converged telecom and broadcast offerings that consumers seek today.

[English]

Regulations should not force carriers to choose between having easier access to foreign capital and offering converged consumer and business services.

While we do not believe that there is a problem today, given our investment, innovation, and competitiveness, if the foreign ownership rules are to be liberalized, we think the best model is the one proposed by the CRTC: boost the foreign voting share limits for telecom and broadcast operating entities by up to 49% while retaining the Canadian control-in-fact test.

Now, Bell and the CRTC don't often agree on anything, so this might be a good start here.

Here's why we feel that the 49% model is the best approach. It's a meaningful increase to direct foreign investment in telecom and broadcast operating entities from 20% to 49%. And it avoids the need to establish complex holding company structures to comply with today's rules.

Also, the change can be applied symmetrically to large and small telcos and broadcasting entities. This would allow all players to benefit from increased foreign capital. And it would give them the flexibility to offer consumers the converged services they crave more and more. All the while, through the continued application of the Canadian control-in-fact test, it would address the concerns of those who wish to ensure that Canada's broadcasting assets remain in Canadian hands.

I close with this final thought. If Verizon, AT&T, and T-Mobile owned Bell, Rogers, and TELUS, Canada today would not have the world's best HSPA plus wireless networks, and certainly not in small and rural communities across the country. Only now are U.S. carriers beginning to roll out their own HSPA plus networks. Our success in leading the pack should be celebrated.

Given the time constraints, I'll close here. I thank you, and I welcome your questions at the appropriate time.

•(1010)

The Chair: Thank you, Mr. Bibic.

We'll now hear an opening statement from MTS Allstream.

Mr. Chris Peirce (Chief Corporate Officer, MTS Allstream Inc.): Thank you, Mr. Chairman, for the invitation to attend this morning.

With 6,000 employees across Canada, \$1.9 billion in revenues, nearly two million total customer connections spanning business customers across Canada and residential consumers throughout the province of Manitoba, and a national broadband and fibre optic network that spans almost 30,000 kilometres, MTS Allstream is one of Canada's leading telecommunications providers.

We compete with TELUS in the west; Bell in the east; and Bell, TELUS, Rogers, and Shaw, among others, in Manitoba, where we are the incumbent.

We are the only national facilities-based competitor advocating for a pro-competitive regulatory and policy framework left in Canada. There were at least 14 facilities-based competitors present in Canada in 2000, all of which failed or were consolidated into the existing incumbents, in part because of Canada's foreign investment restrictions.

As a result of our history, we have unparalleled experience investing as a national competitor. We were the first competitor to successfully build out a national IP-enabled network. We did so at a cost of approximately \$4 billion and with the consequence that, as AT&T Canada, we also underwent the second-largest CCAA proceeding in Canadian history as of that time. This was due in large part to the fact that we were paying \$400 million in annual interest charges on the foreign debt required to fund our capital build, a situation no large incumbent would ever face.

My point is that MTS Allstream has a proven track record as an innovative and successful competitor and is one of Canada's most innovative telecom providers. We also have the scars to prove it, and the perspective, we believe, to contribute to this very important discussion we're having today about foreign direct investment and the need to increase competition and innovation in Canada's telecom market, and ultimately, economic productivity in Canada as a whole.

We offer a unique perspective on these discussions for two reasons: first, because we operate and derive half of our revenue respectively as an incumbent in Manitoba and a competitor across the rest of the country; and second, because as a competitor we have experience in trying to establish and maintain international partnership with AT&T and have directly experienced the negative effects of current foreign investment restrictions.

The government's decision to move forward and examine ways to increase foreign investment in our telecommunications sector is welcome news for Canadian consumers and business. It has been recognized for some time now that the current restrictions on foreign investment in the telecom sector are counterproductive to Canada's goals of maintaining leadership in the realm of telecommunications and ICT and of ensuring Canada possesses the infrastructure necessary to support and enable the innovation and productivity-enhancing technologies that are key to our economic success. Our national interest is represented in welcoming global investment to assist in this essential task and thereby empower Canadians and Canadian businesses.

The need for reform has been recognized in numerous reports and studies: the 2001 broadband task force report; the 2000 report of this standing committee, *Opening Canadian Communications to the World*; the *Telecommunications Policy Review Panel Final Report 2006*; and the 2008 competition policy review panel report.

Among the expert bodies that have studied this issue, there is remarkable unanimity. For the last decade, all have advocated scrapping the sector-specific restrictions. None have made the opposite case. In every case, the current rules have been recognized as slowing competition, innovation, and productivity.

What's more, Canada's rules are out of step with the rest of the world. According to the OECD, Mexico, South Korea, and Canada have the most closed markets with respect to foreign investment. Since this study was published, both Mexico and Korea have begun easing their restrictions, leaving Canada as the sole laggard in this regard.

In short, in 27 out of 30 OECD countries, a company like MTS Allstream would be able to access capital from anywhere in the world. This may help explain why so many international companies have effectively left the Canadian marketplace over the last decade, including AT&T, Verizon, MCI, Sprint, SBC, and British Telecom.

Greater foreign direct investment plays an important role in generating innovation, competition, and prosperity. Removing the current restrictions from the Canadian telecommunications market would bring tangible benefits. As the telecommunications policy review panel noted in its final report,

The economic case for liberalization of FDI is so well established in Canada and other OECD countries that the main area of economic debate is not whether it boosts domestic competitiveness and productivity, but by how much.

Greater direct foreign investment encourages the growth of efficient Canadian companies that can better compete at home and abroad. It would help foster a more dynamic and competitive business market. Indeed, Bank of Canada Governor Mark Carney is the most recent economic expert to link foreign direct investment to increased productivity.

One need only look at the oil and gas sector to see what can happen to Canadian industry when capital investment is allowed to flow unimpeded and Canadian corporate ambition is not snuffed at the border. In the 1970s, over three quarters of the industry was foreign-owned. The industry was highly regulated and subject to the oversight of the Foreign Investment Review Agency.

●(1015)

The Chair: Mr. Peirce, just one moment, please. If you could slow down just a little bit to allow the translators to keep up with you, that would be great.

Mr. Chris Peirce: Okay.

After FIRA was dissolved, domestic ownership went up. Today, almost 50% of the industry is owned by Canadian-based companies that can freely access global capital, and many of those Canadian companies are globally competitive.

Today, most Canadians recognize that our economy has matured and that ideas and approaches that may have helped us in the last century won't work in the 21st century. Most Canadians understand that Canada can and should compete with the global community to attract the investment that leads to innovation, jobs, and long-term prosperity, while building Canadian entrepreneurs and companies that can compete at home and abroad.

We are the most reliant nation on foreign trade when measured against our GDP. It is in our DNA to be able to survive and thrive in the international marketplace. As essential as a modern and competitive telecommunications marketplace is to the digital economy, there is just no rationale for erecting barriers to the investment and foreign players that we require to achieve our own ambitions. Indeed, we should signal to the international investment marketplace that Canada, with its strong currency, enviable fiscal situation, vibrant labour pool, and access to the massive NAFTA marketplace, is committed to growth through investment and to being an incubator of next-generation communications networks and enterprises.

The investment equation for large incumbents versus competitors is very different. Competitor investment, which is crucial to greater competition, lower price, and greater choice, especially in the business market, is entirely risk-based. The stakes are higher, the risks are greater, and the necessary risk capital far less available from Canadian sources. As a result, competitors have often been reliant on foreign debt, and, for the past number of years, largely absent.

Conversely, the large incumbents, whose ubiquitous networks were in significant measure funded by the foreign capital now not available to competitors, can leverage their economies of scale and free cashflow to significantly but incrementally invest in their existing networks. This investment is inherently less risky and consequently inherently more attractive to Canadian sources of investment.

The consequences of this asymmetry are tangible. Our small and medium-sized business community in particular is characterized by lagging innovation and adoption of new technologies, which is directly linked to their lack of competitive choice for next-generation telecom services. For example, Canadian retailers lag their U.S. counterparts by about four years in online sales, according to Statistics Canada.

Our goal in opening up investment in our telecommunications industry is clearly to encourage the development of leading-edge infrastructure. In today's environment, that infrastructure transmits to Canadian consumers telecommunications services and TV signals. To be clear, the government can and should lift the foreign investment restrictions related to this carriage, while retaining the ability to regulate content, and indeed continue, if necessary, to restrict investment in broadcasters and programming licensees.

There is no slippery slope here. There is a clear line between content, on the one hand, and carriage on the other. Consequently, it is, in our view, indisputable that the proper policy, legislative, and regulatory tools can be employed in support of the important objectives of protecting and promoting Canadian content and culture.

No doubt, as when the government moved to open up the wireless market to greater competition, there will be resistance from those whose interests favour the status quo. However, the status quo doesn't serve our national interest or the interests of Canadian business and consumers. The status quo has led to higher prices, the slower adoption of new technologies, and less choice.

We commend you on your review of this important set of issues and urge you to take action to assist in Canada becoming a more competitive, productive, and innovative nation.

I apologize for my pace.

The Chair: Thank you, Mr. Peirce.

We'll now have an opening statement from TELUS Communications.

[Translation]

Mr. Michael Hennessy (Senior Vice-President, Regulatory and Government Affairs, TELUS Communications): Thank you, Mr. Chair. I will speak more slowly.

Mrs. Carole Lavallée: You can speak French, wonderful.

Mr. Michael Hennessy: Thank you.

[English]

We appreciate this opportunity that you've presented to TELUS to give you our views on whether or not to liberalize the restrictions on foreign ownership of telecommunications. We would agree not only that this is an issue of national importance, but it's an issue that we believe Parliament, and only Parliament, can and should decide on.

Let me sum up our presentation in a few quick messages.

• (1020)

Premièrement, any new rules cannot advantage foreign investors to the detriment of Canadian companies. So we're saying fairness requires equal treatment for all Canadian carriers.

Deuxième, Parliament must recognize that communications today is an integrated business and you cannot effect change without changing the Telecommunications Act and parts of the Broadcasting Act at the same time.

Troisième, liberalization that does not include integrated companies not only will damage the competitiveness of Canadian companies but it will reduce the benefits of liberalization for all consumers.

Quatrième, culture is not impacted by liberalization because it is easy to separate the ownership of broadcast channels from the transmission of these channels on carrier systems.

For the record, TELUS has long supported liberalizations of the rules for all carriers, including cable and satellite companies, while still maintaining these restrictions with respect to the ownership of broadcast channels, radio and TV. The Canadian market, like the U.S. market, is unique in terms of a much greater degree of competition between cable and telecom carriers across all markets. Virtually every communications carrier in Canada today carries voice, video, and data traffic over integrated networks, and as a consequence there is no way to fairly change our ownership restrictions unless we liberalize both carriage, under the Telecommunications Act, and carriage, not content, under the Broadcasting Act at the same time.

We remain convinced that you can change the Broadcasting Act only on the carriage side to achieve the full benefits of competition without undermining our cultural objectives. All that is required is a rule prohibiting foreign-controlled carriers from owning broadcast stations or TV channels.

So with respect to investment, a principal argument supporting liberalization is that Canadian enterprises are not competing or investing sufficiently. Even though we support full liberalization, we reject this argument. Ten years ago, TELUS simply did not exist as a national company. TELUS was just another regionally based local telephone company operating out of Alberta and British Columbia and parts of eastern Quebec.

We now compete across Canada for wireless, for small business, for business enterprise solutions. We're Canada's leading video conference provider and we're Canada's number one e-health service provider, and we hold some of the major contracts in terms of business data services today.

In the west and eastern Quebec, TELUS competes head-to-head for phone, Internet, television, and wireless companies, and we have accomplished this because over the last ten years we have invested \$20 billion in capital to grow from that regional telephone company into a multi-service national competitor in business, wireless, e-health markets. How much have we invested? TELUS has maintained over this period of time the highest wireline reinvestment rate among major North American companies and competitors. Our capital investments from 2001 across the entire business exceed 20% of total revenues. By comparison, if you look at Verizon or AT&T, they have not had a single year since 2006 in which their total capital investments reached 20% of their revenues.

We have invested in Canada, both when and where it counts, including areas of the country where no foreign investor is likely to ever consider investing, and in the depths of this recession we increased our capital spend by 13%, at a cost of lower share price. We increased it to \$2.1 billion and built what is recognized as one of the largest and most advanced wireless networks in the world. In fact, our 3G wireless network, which is wireless broadband, now reaches 93% of Canadians with world-leading advanced services. In 2010 we're investing over \$1.7 billion in a fibre-supported Internet TV build in western Canada and eastern Quebec, in order to increase competitive intensity in the cable and the Internet market.

So these investments have produced real competition, real jobs, and real consumer benefits where clearly none existed before.

• (1025)

We agree that full liberalization of the foreign direct investment restrictions on carriage can lower costs and increase choice and increase innovation as long as Canadian companies are treated fairly.

Where Canada differs primarily from the U.S. today is that we lack scale. More scale translates into lower costs, more investment, and more opportunity to reduce price. So for us, the issue is fundamentally one of scale. Therefore, any change that does not allow all Canadian companies to equally benefit from scale opportunities will be changes for the worse, since Canadian carriers still have the largest territory to serve and the smallest population, among the OECD countries, to fund investment. In fact, it has the smallest population of any of our trading partners.

That goes back to my point that any changes should ensure that companies that continue to invest in Canadian employees, Canadian infrastructure, and Canadian communities, rather than in only the most profitable businesses, such as wireline, or the biggest cities, such as Montreal and Toronto, are not harmed by these changes.

Canadian companies rely on integration, and the cross-subsidies that allows, to keep all our businesses viable. As much as we need scale to grow, we need integration. If asymmetric policies undermine that in the name of wireless competition or cultural protection by restricting domestic carrier growth, we think the integrated carrier model in Canada will begin to fall apart.

The Canadian system has always benefited from a level of cross-subsidy, be it from urban to rural or from growth business to high-cost segments. That remains true today. In Canada today, wireless is the growth engine that generates the revenues and the earnings that support reinvestment in next-generation broadband and telephone

networks. This is a critical point to consider. Growth businesses, such as wireless or Internet, support declining businesses, such as telephony. That does not mean that growth businesses should be insulated from increased competition. That's why we support removing the rules. Rather, competition, and particularly foreign-based competition, should not be advantaged by handicapping Canadian companies.

Liberalization has to be as fair to Canadians as it will be to foreign entrants. That is why, we submit, Parliament should support liberalization for all carriers. Unless all carriers are able to benefit from liberalization, the opportunities from increased scale, such as lower prices or more investment, will be consequently diminished for many consumers and communities. That is also why fairness dictates that both broadcast distribution, the carriage element, and telecommunications carriage must be changed at the same time.

Merci. I look forward to your questions.

The Chair: Thank you, Mr. Hennessy.

We will have about 30 minutes of questions and comments from members of this committee, beginning with Mr. Garneau.

Mr. Marc Garneau: Thank you, Mr. Chair.

Thank you for your testimonials. I know that you were in the audience at nine a.m., so you're not going to be surprised by the questions I will address to you.

Again, if you can, please give me a short answer. In your opinion, did the government use a different set of rules when it decided that Globalive satisfied foreign ownership requirements with respect to the Telecommunications Act?

Mr. Mirko Bibic: I think the control-in-fact test has been around for quite a while in telecommunications and the airline industry, and it was fairly consistently applied with not too much controversy for many, many years. I think there was a departure from that in the Globalive case. But I believe, based on what the chairman of the CRTC has said, that in future reviews he will continue to use the precedents that have been established over many years.

Mr. Chris Peirce: I think the Globalive saga just demonstrates the unworkability of a qualitative test like control-in-fact. That is in addition to the concrete elements of the tests that exist today and the problem of two regulators interpreting a subjective test in succession. It's not the first controversial instance. We had one when we were Unitel that was similarly decided by the control-in-fact test. So I think that more than right or wrong or new or unusual, it just demonstrates that with a qualitative, subjective test, you are constantly going to have this possibility in front of you.

• (1030)

Mr. Michael Hennessy: Yes.

Mr. Marc Garneau: Thank you.

My second question has to do with whether or not any of the three companies that I'm looking at right now are maxed out with respect to their foreign ownership limits, with respect to the Telecommunications Act.

Mr. Mirko Bibic: I'll give you an answer, but the answer allows me to explain why we think the 49% rule that was proposed by the CRTC—and that we endorse—would be much better than the rules we have today. The very short story is that Bell Canada is the operating entity, and under today's rules the maximum is 20%. BCE is the publicly traded company, and under today's rules the maximum allowable limit is 33%. You'd think that we'd been operating at our limit of 33% for all these years.

In fact we were not for this reason: BCE owned a broadcasting license, and for that reason was capped at 20%. The reason we owned the broadcasting license was that we wanted to take advantage of tax losses we were suffering in our TV business.

The short story is that we were forced to choose between more foreign investment or tax treatment. We chose tax treatment, and now we have a 33% limit because that's been resolved. We're nowhere near the 33% limit.

If we had the 49% rule we're endorsing today, we would have had the flexibility to manage the maximum foreign investment and manage any other benefits under the tax rules or anything else. That's why this is a much better model than what we have today.

Mr. Chris Peirce: We were maxed out as AT&T Canada when we had to choose between bankruptcy and survival. Consequently, all that foreign debt, in addition to the maximum foreign equity, was written off.

We're not maxed out now because foreign investment in terms of new entry in Canada is just not interested. You heard from Shaw, I think, on the previous panel that Canada is a small market to begin with, and the rest of the world in terms of capital markets has pretty much decided that in telecom, we're a closed shop.

We certainly discovered that in conversations before the wireless auction and in discussions with a number of potential funders or international players. It goes back to my message that a number of the existing players in Canada don't have the same need of foreign investment that new entrants or competitors would need. I'm speaking of our competitor end of things on the Allstream version.

Mr. Michael Hennessy: Yes. We're not right now, and I think I would agree with Mr. Peirce on a couple of points.

We have had higher levels of foreign ownership. But to the extent that people putting significant amounts of money into a company are not allowed to control that money, there's less incentive to do it. I think one of the bigger issues that is often overlooked is that if you have a good business case or business proposition to sell, you can get access to capital.

If you have a very high-risk business proposition—like we have seen for a lot of new entrants in the wireless business—then it's difficult to get access to capital regardless of what the ownership rules are.

Mr. Marc Garneau: You have all indicated today—if I'm not mistaken—that it seems impossible to look at greater foreign ownership, if that was a decision taken by the government, without opening up both acts, or at least one part of the Broadcasting Act. They certainly pointed it out in their throne speech. Yet the government has said that the Broadcasting Act is not open for discussion at this particular point.

I tend to agree with you that it seems difficult to do it, given convergence today. The CRTC chairman floated the idea of unifying the three acts that we're all familiar with. I'd like to have your opinions on that.

Mr. Mirko Bibic: We endorsed the flexibility with increased liberalization of foreign investment at the 49% level, but that's a completely separate question from unifying the acts.

We could achieve greater liberalization, whether or not it's 49% or the models espoused by my colleagues without having to unify the acts. I don't think it's necessary.

• (1035)

Mr. Chris Peirce: There are two things that appear intractable in Canada. One is opening up broadcasting. I think broadcasting in this sense.... I don't know, but I'm wondering if the government was not referring to that big-picture broadcasting by which you mean culture, which I think both Mr. Hennessy and I referred to. It's the difference between carriage and content, content being culture.

Mr. Marc Garneau: No. My interpretation is that the act is not going to be opened. That was what I was told.

Mr. Chris Peirce: In terms of the models that are put forward, there are certain other recommendations that are put forward where you might not need an amendment to the Broadcasting Act. Arguably, the recommendations in the Wilson report could be done at the first stage without opening up the Broadcasting Act.

But I agree that in terms of the infrastructure that's carrying things, you should be opening up both for BDUs and for carriage to really make the effort worth it. As I would say parenthetically, there is no point in liberalizing to get from an effective rate of 46% ownership to 49%. In my mind, it's just not worth the effort.

Mr. Michael Hennessy: I can think of nothing worse than a regime that continues to restrict broadcast carriage. The reason is that if all the carriers in the country are unable to benefit from this because they have integrated networks, then the benefits of this simply don't flow to consumers, because 90% of the market remains closed. So you end up in the same situation as this partial step whereby a limited number of what you would call new entrants—although I don't call companies with more subscribers than the population of Canada new entrants—Verizon, AT&T, Deutsche Telekom coming into the wireless business, eroding that market, which as I suggested is the primary source of subsidy for the declining telephone business, without any opportunity for Canadian companies to respond to play on the same playing field. So it's better to do nothing than to do something partial like that.

The Chair: Thank you very much, Mr. Hennessy and Mr. Garneau.

Monsieur Cardin.

[Translation]

Mr. Serge Cardin: Thank you, Mr. Chair.

Good morning, gentlemen, and welcome.

The problem when you go second is that a number of issues have already been addressed. To my mind, the government or the OECD has it all wrong when it says that we lack innovation. On the contrary, I think we are innovative. Certain reports, other than the government's and the OECD's, even say so, for that matter. Now we see we are front and centre and at the heart of the problem. What percentage of foreign investment should we allow, and to what extent?

TELUS recommended total liberalization. Bell, however, recommended liberalization up to 49%. The chairman of the CRTC was also in favour of the 49% threshold, but he did not mention anything with respect to broadcasting. So the issue could be debated rather extensively. One thing is certain: why go beyond the 49% threshold in telecoms when we know full well there is convergence? As my colleague said, the one who controls the medium also controls the content, when all is said and done.

I want to know what you, the other two stakeholders, think—it is somewhat innovative, but not necessarily without risk—of Bell Canada's proposal to open the market to foreign ownership up to a limit of 49%. That also includes all integrated carriers, which would mean a certain measure of equality as well as an impact on broadcasting companies.

[English]

Mr. Michael Hennessy: Yes, certainly.

As the OECD said the other day, broadcast is subject to very stringent regulation, and the nationality of the owner of the cable company really doesn't matter in terms of picking and choosing programs. If you had no regulation today, I'm sure the Canadian or American cable provider would end up choosing the most popular programming, which is often American in the English market, regardless of ownership.

• (1040)

[Translation]

Mr. Serge Cardin: That does not exclude good regulation in terms of broadcasting. You cannot say there would be no more regulation.

[English]

Mr. Michael Hennessy: Yes, and what I say is you can protect culture through good regulation, irrespective of which capitalist owns the company.

Mr. Chris Peirce: I have a couple of comments.

My argument would not be that there's no innovation in our telecommunications industry. There is, but it's patchy. It depends on the sector and the extent to which competition has reached the sector. Our small and medium-sized business community is lagging, and that's one of our problems in building the economy. It's having our small and medium-sized business community be quicker adopters of new technology of things like ICT. One of the problems in that sector is that's the most difficult sector for a competitor to get to. We have arguments at the CRTC all the time over access to incumbent infrastructure. That's one piece of the equation. The other is where a competitor can find the money to invest in that risky venture. Mr. Hennessy is right, risk capital is very difficult to find in sufficient pools in Canada to warrant that kind of investment by someone who doesn't have that existing ubiquitous network. So innovation is present, but patchy.

We have an urban-rural divide in Canada. We also have an emerging digital divide between large and medium-sized enterprises and smaller enterprises. Small business is the main source of employment in the country, so that's a really important feature.

In terms of the carriage content, the problem, as both have said, is that the same network is carrying the TV and the data or other type of signal. So all of us transmit TV signals, data, and voice all through the same network infrastructure. So if you're not to liberalize for BBUs, for the carriage element, then I don't see how that would be workable for anyone. But you can easily liberalize for that carriage while protecting all of the content issues you're talking about. It's just like saying if someone is coming in to invest in our oil sands or oil and gas industry, they have to follow the environmental rules of Canada.

[Translation]

Mr. Serge Cardin: Pardon me, Mr. Peirce, I would like to give my colleague the opportunity to ask one last question.

Mrs. Carole Lavallée: How much time do I have left?

The Chair: A minute and thirty seconds.

Mrs. Carole Lavallée: A minute and thirty seconds, wonderful. Thank you, Mr. Chair.

Since I do not have much time, I will speak quickly.

You said two things, Mr. Hennessy, that really struck me. The first being that it is easy to separate the ownership of broadcast channels from that of telecom companies. The second had to do with prohibiting foreign-controlled carriers from owning TV channels. That really surprises me because we can no longer separate TV channels from telecom companies—wireless on one side and TV on the other. Wireless service providers now have their hand in broadcasting, as well.

And to illustrate my point very clearly, I will refer to a Bell Canada ad, which comes from our friend here, Mr. Bibic. The English ad, shown in Ottawa, promotes 16 applications. It clearly offers customers *Maclean's* magazine, CBC Radio, Scotiabank and Disney. Bell offers some free applications and is clearly involved in broadcasting. It has a hand in broadcasting. Also on the way are short TV episodes, which will be called “mobisodes”. They are episodes for wireless mobile telephones. There is a clear involvement in broadcasting. It will no longer be possible to separate the two, and they will become more and more intertwined. So that is not possible.

Given these circumstances, I do not think you would recommend a division of broadcasting: TV channel owners on one side and wireless carriers on the other. It cannot be done. You can even speak to the Rogers representative, who was here this morning, or to Quebecor.

• (1045)

The Chair: Thank you, Ms. Lavallée.

Mr. Van Kesteren, you now have the floor.

[*English*]

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair.

Thank you all for appearing. I mean that, too. I really appreciate your testimony. It's remarkable to listen to you, and the achievements that you've made in this country are commendable. I think you need to be told that, as well.

There's one element, though, and I'm going to touch on that at the risk of possibly exposing myself as a base capitalist. I'm an auto dealer, and, like you, I went to work each day. We like to talk about our achievements and the things we've done, and they sometimes need to be acknowledged. It was Adam Smith, I think, who said something to the effect that it's not for the benefit of the butcher that the baker gets up in the morning and bakes his bread, and I think that's something that we have to recognize. There's nothing wrong with that. If we're basically honest, we can say that too.

What I'm trying to translate to you is this: the good things that you do for consumers, you do for profit. You know what? There's nothing wrong with that. That makes sense. That's how our system works.

Understanding that, accepting that, and admitting to that, when you look at competition, each one of you has said that you really don't have any objection to that. I know the former panellist said something to the effect of how they had built up capital, and that's an incredible advantage. If somebody's going to enter the field and offer a new service, he has to go through all those painful endeavours that

you've gone through, and you're now at a plateau where you can say “Bring it on”.

So having said that—and I think this is the real crux of the issue here—what is better for the consumer, competition or a form of regulations? I'm going to ask each one of you individually if you want to touch on that.

Mr. Mirko Bibic: The best option, I think, is as much competition.... We welcome competition. And less regulation—we are far too highly regulated in telecom and broadcasting today. The amount of regulation we have in this country and the regulatory fees and charges that are imposed on us constitute a major drag on additional investment, notwithstanding the \$6 billion that we've done in the last two years. If we had fewer of these fees imposed on us, we'd do even more.

All we're saying is, number one, if you're going to liberalize the foreign ownership rules, make it symmetrical. We all should have the opportunity to get cheaper access to capital. What we tried to put forward is a proposal. We're dealing with the facts on the ground, frankly. Let's put a proposal forward that liberalizes foreign ownership but is realistic and can be implemented. You have to balance the issue of access to foreign capital, Canadian jobs, rural deployment of broadband, cultural concerns, and we have to deal with the minister's indication that the Broadcasting Act won't be touched. So we put together a model that addresses those issues. It's realistic, 49%. By the way, that can be done without amending the Broadcasting Act.

So we put a pragmatic proposal forward: new entrants will have greater access to foreign capital in that way; we'll have greater access to foreign capital in that way. Competition.... We have a lot of carriers coming in on the wireless side.

And the last final point is that on the wireline side that Mr. Peirce is actually focusing on, I would urge you all to read the FCC's national broadband plan in the U.S. Here's what they said: the wireline business is a high-fixed-cost, high-sunk-cost business. Let's be realistic, and let's not expect that we're going to have a multitude of wireline providers coming in and offering services. It's just too expensive. But wireless offers great hope for additional competition, and in Canada we'll have eight and nine carriers. We're in pretty good shape.

Mr. Chris Peirce: You're exactly right. Monopoly got us so far. Competition is now getting us to a whole different stage. But to get to competition from what was a monopoly, there's a need for good regulation, as the government displayed with the wireless auction process. That was good regulation to get to more competition.

In this case, the foreign investment restrictions currently affect those who would compete more than they affect those who are, as you say, already in the market with their networks deployed.

Just one point on my friend's comments: wireless calls don't fly from one phone to the other through the air. They find a network, and then they go along that network. Our network is one of the largest backhaul providers to some of those new entrants. So the network will always be important, and finding people, new and existing, who will invest in that network is really crucial, and that's why the investment restrictions are a direct limiter on that.

• (1050)

Mr. Michael Hennessy: Absolutely competition.

Regulation is fine. We don't like it, but regulation is fine as long as it's applied equally to all competitors.

Unlike my friend Mr. Peirce, I would say the last auction was a disaster. It forced Canadian companies to pay probably about a \$2-billion premium because of the way the rules were set up to get spectrum. That's money that is lost forever in terms of reinvesting into bringing broadband to rural areas.

I'm not sure that the cost of bringing in new entry is worth the price, and that's a perfect example of bad regulation.

The Chair: Go ahead, Mr. Wallace. I believe you have a brief intervention.

Mr. Mike Wallace (Burlington, CPC): I'll be as brief as possible.

This is a yes-or-no question. Does any one of your three companies have investments in telecommunications in other countries?

Mr. Michael Hennessy: Yes.

Mr. Mike Wallace: You do. And were there foreign investment regulations that controlled how much you could invest and where you were?

Mr. Michael Hennessy: No. There are small rules. Every country has its own laws and rules, but the general answer is no.

Mr. Mike Wallace: So as Canadians we're looking at opening up the market for foreign investors, and you, as Canadian companies that are progressing elsewhere, haven't had any issues with those countries with restrictions. My biggest frustration as a politician, not just in your industry but in other industries, is that...

We like to look at our own navel here. Why are you not big players in the world if you're that good as leaders in telecommunications? Why isn't Bell the AT&T of the world? Why aren't we looking elsewhere and being leaders?

I'll be happy to hear what your answer is.

Mr. Chris Peirce: I think that's an excellent point. We have a history of companies that were active beyond the borders of Canada to a far greater extent than they are now.

But with the restrictions—and where you're going, to my mind, is right—once you describe the sandbox as being within Canada in terms of investment, that's where ambition stops. That's why to promote ambition of our Canadian companies globally, removing the restrictions is important as well.

The Chair: Thank you, Mr. Peirce.

Before I go to Mr. Masse, perhaps Mr. Peirce and Mr. Bibic could briefly answer the question on whether you have investments outside of Canada.

Mr. Chris Peirce: We're a licensed carrier in the U.S., but we don't have investments outside of Canada.

Mr. Mirko Bibic: Our investments are very small, Mr. Wallace.

But to your question about other countries and the restrictions, I don't know of any other country that imposes restrictions that allow foreign entry but handcuff its own providers. The rules are symmetrical, and that's what we're arguing for.

The Chair: Thank you very much.

The last intervention goes to Mr. Masse.

Mr. Brian Masse: Thank you, Mr. Chair.

And thank you for being here today.

There has been a lot of discussion about the advances that a number of companies have made in rural and other small-market areas. How much of that investment is from the deferral accounts decision?

Mr. Mirko Bibic: None of the investments, none of the \$6 billion I talked about relates to the deferral account. That deployment program hasn't begun. It has all been our own shareholder capital that we've put in—over a billion dollars—just on wireless alone last year. It was \$3 billion in total, \$3 billion again this year.

We're itching to use the deferral account moneys that are there—\$450 million—to deploy broadband to the 102 approved communities, and that's still working itself out.

Mr. Brian Masse: To the researcher, can we get an update on that?

So the committee is aware, there's quite a large sum of money in deferral accounts, which were overpayments by the public, that is going into rural and broadband development. Maybe we could have a summary of other government programs and subsidies that are available or still pending for use. I think that would be helpful for the public as well.

The Chair: Certainly. We'll get the research analyst to produce some information for you.

• (1055)

Mr. Brian Masse: Thank you.

To follow up some of the questioning we had earlier, the CRTC—and Mr. Peirce, I think you contradicted this in terms of their position—came forward saying that they felt there wasn't enough in the Canadian market to have seven or eight carriers for consumers and that it would probably be much smaller than that, despite having new entrants and so forth. I think it would be unrealistic to think, for example, that Comcast wouldn't come in and purchase a Canadian company or be active in our market. It's a giant compared to what we have here.

Could I hear your comments about that? That was some of the critical testimony yesterday. We've opened up the spectrum. We've auctioned it off. Whether we disagree or agree with the Globalive decision, we have new entrants that will be emerging as well. What is your opinion about the assessment that the Canadian market probably can't sustain seven or eight carriers?

Mr. Chris Peirce: In the market we're active in nationally as Allstream, which tracks back over 130 years in Canada, back to the Montreal & Toronto Electromagnetic Telegraph Company, we've been a competitor for all that time. In the small and medium-sized business market in Canada, we have one, typically, provider in each area. There's one network. I suppose it builds on what Mr. Bibic was saying about the cost of building the wireline infrastructure that's going to facilitate new technology adoption by small and medium-sized business. We don't have seven or eight carriers. We had 14 in the year 2000. They all went bankrupt.

So on the wireless side we've achieved a new level of competition, I would say thanks to the wireless auction, and you have new investment going on by incumbents and new entrants alike. So that's a good thing. But that's one piece of the market. In terms of our small and medium-sized business community across Canada, competition is absent from large swaths of Canada. And that's not seven or eight; typically the incumbent is the only one that has network infrastructure there. New entrants are the ones that can invest in the risk-based investment to try to compete with those companies in those places.

Mr. Michael Hennessy: There's absolutely no way the Canadian market can support that number of competitors. They will, as the chairman said, almost inevitably consolidate or fail. I think that's always been recognized by everybody. When the government put out its policy, it took a position that if this happened it wasn't the end of the world and things would work themselves out. And that's on the record.

Mr. Mirko Bibic: Very quickly, on the wireless side, I alluded to this very briefly in my opening remarks, but if you take 15 European countries, all very highly populated and very densely populated, one of the countries has two providers, seven of the countries have three providers, six of the countries have four providers, and only one has five.

There is no way Canada can support the eight or nine that we will have. So the market will evolve and things will happen the way they typically do and we'll find some equilibrium. But I think that's the short answer to your question.

Mr. Brian Masse: It leads to the debate—and I brought this to the previous panels—that some Canadians feel they don't get the best value for service. They argue that they pay a premium for this, and they argue that the way to bring down fees is not always necessarily through competition, it's through regulation. And some countries do that. The United States has strong regulatory powers, for example.

What would be your comment on that? Because there seems to have been this leading element out there that if we opened up the spectrum, we got the new entrants coming in, there would be more competition and it's automatically going to mean lower prices. That seems to be the public expectation from what I'm hearing from constituents and people across Canada. That may not necessarily happen, though, so I would like to hear your comments about those

who say that perhaps we actually need a stronger regulatory system to measure what people are getting, how they're getting it, and also if it's meeting the branding that the companies are pushing out there in terms of advertising and also the cost of it compared to other countries.

Mr. Mirko Bibic: I think we've got to realize there's a big difference between the story as portrayed in the business pages of the newspaper and the public policy debates largely based on 2007 OECD reports, which are faulty.

I think Mr. von Finckenstein gave a very good answer to this the other day: wireless is very competitive in Canada, we get a lot of value, and he takes outdated, faulty OECD reports with a large grain of salt. So I urge us all to base ourselves on the facts on the ground, please.

• (1100)

The Chair: Okay, thank you very much, Mr. Masse.

Thank you to our three witnesses for appearing in front of us today.

We have two very quick items of business, members of the committee. I just ask your indulgence.

The first is I'd like the consent of the committee to send out a news release indicating to those individuals and organizations who have not been asked to appear that they may submit briefs to the committee if they so wish. So if committee members are comfortable with that, we can get that done, because we don't have a lot of time before the end of next week and the wrap-up of these hearings.

Mr. Lake.

Mr. Mike Lake: Yes. I suggest that maybe we'd take a look at this on Tuesday. I just got this put in front of me, and I haven't had a chance to even take a look at it. So I think, given that there are obviously a lot of people here for the next meeting, which is supposed to start right now, perhaps we could deal with this first thing on Tuesday.

The Chair: The problem if we do it Tuesday is that it only gives members of the public and other organizations 48 hours to submit those briefs, so it's pretty short notice. But if we do it today, it gives them a full week. It's simply indicating to members of the public that if they wish to submit briefs, they can do so.

Mr. Mike Lake: Certainly I don't oppose or not oppose it. I haven't had a chance to even take a look at it. So it's kind of tricky to have something thrown with 30 seconds' notice before the end of the meeting.

The Chair: Mr. Masse, go ahead.

Mr. Brian Masse: I think we should get it out there. It's just a routine element. I find it ironic that the government has taken this position after today, when it just tabled legislation in the House of Commons while we were sitting in this committee and couldn't be there.

The Chair: Thank you very much. I appreciate that. That gives me some direction.

Secondly, very quickly, just as a point of information, pursuant to Standing Order 32(6), the committee has received nine orders in council. We have 30 days to review any of these orders in council if we so wish. So if any members of the committee wish to do so, please let the chair know and we can have a discussion about that.

Without further—

Mr. Mike Lake: Sorry, if we're going to put the news release out, I just want to be clear. Looking at the text, it says the motion as adopted reads as follows, then lists it, but there are no quotations around it or anything like that. So we should probably set aside clearly what the actual motion reads.

The Chair: Thank you for pointing that out, Mr. Lake.

This meeting is adjourned.

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