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# Standing Committee on Industry, Science and Technology

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EVIDENCE

**Tuesday, April 20, 2010**

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**Chair**

**The Honourable Michael Chong**



## Standing Committee on Industry, Science and Technology

Tuesday, April 20, 2010

• (0900)

[English]

**The Chair (Hon. Michael Chong (Wellington—Halton Hills, CPC)):** Welcome, members of the committee and witnesses, to the tenth meeting of the Standing Committee on Industry, Science and Technology, this April 20, 2010. We're here pursuant to Standing Order 108(2) for a study of Canada's foreign ownership rules and regulations in the telecommunications sector.

In front of us today we have two different groups of witnesses. From Globalive Communications Corporation we have Mr. Antecol, Mr. Lockie, and Madam Wood. From Public Mobile we have Mr. Krstajic and Mr. Kirby.

Welcome.

We'll begin with an opening statement from each group, beginning with Globalive Communications Corporation.

**Ms. Andrea Wood (Chief Legal Officer and Secretary, Globalive Wireless Management Corporation, Globalive Communications Corporation):** Mr. Chair and members of the committee, thank you for inviting Globalive to participate in your hearings today.

I'm Andrea Wood, chief legal officer of Globalive Wireless Management Corp., better known by its operating name, WIND. Sitting beside me is Simon Lockie, the chief legal officer of our Canadian shareholder and a member of the board of directors of WIND. Also with us is our vice-president of regulatory, Ed Antecol.

WIND launched its wireless services in Toronto in December and has since launched in three additional cities: Edmonton, Calgary, and Ottawa. We plan to launch in Vancouver in the next few months.

[Translation]

**Mr. Serge Cardin (Sherbrooke, BQ):** We lost our French interpretation, but it is now back.

[English]

**The Chair:** Okay.

**Ms. Andrea Wood:** We provide wireless service to tens of thousands of Canadians, and we anticipate growing our customer base exponentially as we roll out our offering to other cities and regions of the country. We currently have 1,500 employees in Canada. We've spent close to \$1 billion and we aren't even close to finished.

Let me be direct: WIND is a proudly Canadian company. It has met all Canadian ownership and control requirements. To emphasize

the point, the Governor in Council made no special exception for WIND, and it did not waive any restrictions.

Cabinet looked at our structure and quite rightly came to a different conclusion from that reached by the CRTC. It varied the CRTC decisions, as the Telecommunications Act has always permitted it to do.

Canada's wireless sector has been under-served by the three dominant wireless providers, and it is sorely in need of greater competition. Canada has less than 70% penetration in wireless, which according to the OECD put it 30th of 30 OECD countries—dead last. There may be arguments about the details of the OECD findings, but they're generally consistent with the findings of a number of other well-respected institutions, including Harvard's Berkman Center, and a number of studies conducted in Canada.

At a minimum, the OECD's statistics are directionally correct and they suggest a significant structural problem. The low penetration of wireless in Canada results from unnecessarily high prices, a function of the virtual oligopoly of the big three, which has created opportunity for companies like mine.

The entrenched, hugely capitalized big three enjoy some of the highest profit margins in the business world, earned through practices that limit competition and harm consumers, including long-term contracts with unreasonably high rates; punitive early termination fees; and fees for fictitious network services, such as system access fees and, more recently, Rogers' regulatory recovery fee.

Obviously the lack of real competition has a significant impact on costs for consumers and businesses and deeply important follow-on consequences for innovation and productivity in the Canadian economy. Clearly, competition is needed.

The battle has just begun. With its innovative online social networking community, WIND is listening to what Canadian consumers want from a wireless carrier and it is providing it to them: no contracts, identical plans available for pre- and post-paid customers, and simple and transparent plans offering numerous features.

We are connected to our communities, not only through our networks but through what we feel is our social responsibility. For example, following the CRTC decision we put our employees to work in their communities performing random acts of kindness for complete strangers. We are committed to continuing to build on our sense of corporate social responsibility and to giving back to the communities we serve.

It has been a good beginning, but we're only at the start of the long road. That is why we're here today to speak to Canada's foreign ownership rules.

I'll turn the floor over to my colleague Simon Lockie, who will now address that topic.

• (0905)

**Mr. Simon Lockie (Chief Legal Officer and Secretary of Globalive Communications Corporation, Director of the Board of Globalive Wireless Management Corporation, Globalive Communications Corporation):** Thanks, Andrea.

Good morning. This is at least the fourth time in seven years that there has been a major review of the foreign ownership restrictions for telecom. All three previous reviews recommended liberalization of these rules. The Telecommunications Policy Review Panel and the Red Wilson report both recommended a phased-in approach to the relaxation of the rules.

The first phase recommended by Red Wilson and the TPR would see the Telecommunications Act amended to give cabinet authority to waive the foreign ownership and control restrictions on Canadian telecommunications common carriers where it deemed the foreign investment to be in the public interest. The panel also noted that any investments in a new start-up telecom carrier, or one with less than 10% of the revenues in any given telecom services market, should be presumed to be in the public interest.

The second phase of liberalization would only take place after the completion of a careful review of broadcasting policy in Canada. Both reports were the culmination of careful review and consultation processes, each lasting a year, and both represent fair, balanced, and thoughtful responses to the realities of Canadian telecom. They do so without weakening any of the current protections for broadcast. In our considered view, we can do no better than to endorse these careful recommendations.

These policy reviews have provided good road maps to ensuring that Canada develops a strong competitive telecom industry. The recommendations made to this committee over the last few weeks are not realistic, nor could they achieve the widely acknowledged need for more competition in Canadian telecom. To be clear, we will not be making any recommendations about broadcasting today. We are a telecom company. We provide the pipes, not the content. Content and pipelines have different roles in the ecosystem; hence, they can have different regulatory frameworks.

We recognize that there is a converging environment between broadcast and telecom. We also believe it is important for cultural sovereignty that there are effective measures to promote the creation and distribution of Canadian content. A future broadcast policy review can resolve issues related to the separation of broadcast and content policy from telecommunications carriage. In the meantime,

recommendations for a phased liberalization of foreign investment restrictions in telecom should not be delayed or forced to await a review of broadcast policy. Consumers need help now.

In our view, the key issue to increasing competition in telecom is facilitating access to foreign capital on reasonable terms. The existing restrictions on foreign control were never intended to discourage foreign capital investment in Canada, but this has unquestionably been the effect. The telecom business is extremely capital-intensive. Even having been successful in securing foreign investment, we know how hard it is, and the very expensive terms upon which it was secured reflects this reality. Under the existing regime, we also know it is very challenging to replace this expensive capital with capital on better terms.

CRTC chairman Konrad von Finckenstein has argued that Canada will attract enough foreign capital to create a competitive telecom environment if the percentage of voting shares in a Canadian telecom company that can be owned by a foreign entity is increased to 49% directly and indirectly. We disagree. Think about it. Simply increasing the amount of permissible foreign voting equity to levels that still do not confer voting control will not make investment in Canadian telecom companies substantially more attractive.

Worse still, Chairman von Finckenstein has recommended maintaining the highly subjective "control-in-fact" test. If our experience has taught us anything, it is that such a highly subjective test and the regulatory uncertainty that it creates is a disincentive to foreign investment. Canadian capital markets are relatively small, and in our experience the players are quite reluctant to jeopardize relationships or potential relationships with the big three. To grow our business to its fullest potential within the existing regime, we will need to access third-party capital, and securing that capital exclusively, or even primarily, in Canada will be a challenge. Doing it on terms competitive with the terms enjoyed by the incumbents will be impossible.

Many Canadian telecom carriers started up their businesses as foreign-controlled companies using foreign capital, including Bell and TELUS. It's ironic to hear those same companies complaining now that someone else might be looking to a major foreign investor to do exactly what was done to build this country's legacy telecom networks at an earlier stage in our history. The competitive imbalance in Canadian wireless was the impetus for the advanced wireless spectrum set-aside, but the set-aside itself is not enough. Companies need capital, and telecom start-ups not just capital, but lots and lots of capital.

● (0910)

As we have seen in the early days of wireless competition, absent quick robust growth, new entrants sometimes just hang around, make a little competitive noise, and wait to be bought out when circumstances permit. Competition is good for Canadians seeking wireless services, but capital is critical for companies like WIND that are seeking to compete long-term.

The existing telecom foreign control restrictions are, in our view, an overly broad and inefficient regulatory tool. In today's global environment, Canada needs a more nuanced and effective tool as soon as possible. The TPR panel and Red Wilson reports show the way.

This concludes our opening remarks, and we're of course happy to answer any questions.

**The Chair:** Thank you very much, Mr. Lockie.

We'll now hear an opening statement from Mr. Krstajic, of Public Mobile.

**Mr. Alek Krstajic (Chief Executive Officer, Public Mobile):** Mr. Chairman, ladies and gentlemen of the committee, many thanks for taking the time to hear us out today.

I am joined today by Bruce Kirby, our vice-president of strategy and business development. We've prepared a statement that was distributed to all of you yesterday and isn't actually that dissimilar from that of our friends over here at Globalive/WIND. I think it's going to be a common thing that you're going to hear, that allowing new entrants access to foreign capital sustains competition.

Instead of reading a prepared statement, let me tell you a little bit about Public Mobile, about who we are and what makes us a little bit different. Public Mobile was born out of the AWS auction, like all the other new entrants. We acquired a licence that covers roughly 19 million people, stretching from Windsor to Quebec City. Our intent is to build out that entire area. If we are successful in gaining more spectrum to expand geographically, we will do so.

We are different in that we agree with the facts in terms of where Canada is on wireless penetration. One third of Canadians don't have a wireless phone today. That's a fact, and it's actually a travesty. Compare that to the situation where when you look at broadband penetration, high-speed Internet penetration, we're in the top three in the world. I know from my years as an executive at Rogers when we drove the Internet business, you had a situation where there was a lot of price competition. Prices were driven down, and as prices go down, penetration goes up. That's not the case in wireless. However, it is changing now that there are new entrants.

The question really is, will the new entrants survive? I agree with my friends at Globalive again that access to capital is really what's going to determine that. In fact, access to readily available capital is the lifeblood of any new entrant. It determines how quickly we grow, where we grow, and are we going to be able to provide sustainable competition.

Public Mobile, unlike some of the other new entrants, is actually not competing head to head with some of the incumbents. We aren't going upmarket. We aren't offering BlackBerrys and smart phones. We're actually aimed directly at what we refer to as "the unserved market". We're going after the working-class Canadians who require predictability in their bill. If you did the research and really looked into why working-class Canadians, that one third of Canadians, don't have cellphones, it's because they're value-conscious. They live paycheque to paycheque. It's the way I grew up. I grew up in a family with a father who was a blue-collar unionized worker. We lived literally paycheque to paycheque. If you live like that and you sign up for a bill or you sign a contract for a cellphone, and you're expecting to pay \$40 or \$50, and then you find out you have roaming charges, system access fees, and all these other things that are unpredictable, and all of a sudden your bill is \$80 or \$90, you just don't have the money to pay that bill.

Public Mobile offers only one rate plan. It's \$40. It's a flat rate. It's predictable, and it's unlimited talk and text. That is our key area of differentiation. There are no contracts, no credit checks. Those are also part of what we do, but they're not just implied, they're obviously direct. There's no need for any of those things if it's \$40 and it's flat-rate.

The concept of Public Mobile was created on a platform that we use as our tagline, which is "everybody talk". It's built on the concept that wireless communications should be a right, not a privilege that's afforded just to the few who can afford it.

We have, in the last year, worked very hard to build our network. We're launching Toronto and Montreal. We've already opened 25 stores in Toronto and Montreal, with another 25 opening in the next month and a further 25 the month after. We're in a very solid position. We're opening these stores in the areas where our target market—the working class—lives, works, and plays. In Toronto, you don't see our Public Mobile stores in the financial community. You see our stores in Scarborough, on the Danforth east, in the west end, around St. James Town and Regent Park. You see it where the people who don't have cellphones are actually located.

A number of the challenges that we're going to face, like any new entrant, are really around the fact that there is a lot of inertia in the Canadian market. Inertia means once people get into a mode, they tend to stay in it. There are a lot of people who are with the incumbents right now and are used to paying the bills and don't look elsewhere. There are a lot of people who don't have cellphones today who say to themselves, I'm probably never going to be able to get a cellphone. I'm not going to have access to a provider who is going to provide me a cellphone on terms and conditions that I require. It takes millions and millions of dollars to advertise, to break through the clutter and be able to get the message out. It's going to be a long and difficult road to break that inertia for us, and that requires capital.

● (0915)

I think there is another thing that is not to be under-estimated. As the former president of Bell Mobility, I can tell you I have a very healthy respect for the power that the incumbents have. They are some of the largest organizations in this country.

When you get off a plane, a train, or get out of your car in Toronto, you can't help but be affected by Rogers in some way. The television that you watch is most likely provided by Rogers. The cellphone provider of choice and the dominant player in Toronto is Rogers. The Internet provider of choice in Toronto is Rogers. When you go to watch the baseball team, it's owned by Rogers and the stadium is called the Rogers Centre.

For the media, the radio stations, the publications that you read, many of them are controlled by the incumbents. This creates an inertia and a challenge for new entrants that again is only going to be overcome by time and by a lot of capital. In the long run, that capital will be deployed and there will be a good return on that capital, but it will allow sustainable competition to bring prices down and make cellphones more affordable for the average Canadian.

Canadians are by nature very conservative. The investment houses in this country and the pension funds in this country are very conservative.

● (0920)

**Mr. Mike Wallace (Burlington, CPC):** Say it again.

**Hon. Dan McTeague (Pickering—Scarborough East, Lib.):** They're Reformers.

Put a logo on that man.

**Mr. Alek Krstajic:** I'm not used to talking to politically charged rooms. When I said “conservative”—

**Hon. Dan McTeague:** You'd be more liberal with your thinking.

**Mr. Alek Krstajic:** Let's try it this way: it's difficult to get money from Canadians. How's that?

It's difficult to get money from Canadians for these types of investments. Canadians want to know that it's a sure thing. Capital outside of this country is a little bit more risk-embracing. As a result, you've seen new entrants popping up in other countries and regulation is a lot more relaxed in a lot of other countries. So you've seen prices come down, new entrants enter as a result of that and drive those prices down, and wireless penetration go up.

In Canada we are actually, I believe, the only new entrant that's been able to raise Canadian capital for equity beyond what we pay for spectrum. We have done a very good job of working hard to raise that Canadian capital. However, we feel that today we sit at a disadvantage.

We actually believe there is a place for multiple competitors in this space. We are not here to tell you that Globalive should or should not be allowed to operate. We are here to simply tell you that we and every other player in this market should be afforded the same rights and privileges that have been afforded to Globalive; that is, we should have the ability to bring on foreign capital. If the rules don't apply, then they shouldn't apply to us. If they do apply, then they should apply equally to everyone.

Thank you very much.

**The Chair:** Thank you very much, Mr. Krstajic.

We'll begin now with an hour and a half or so of questions and comments from members of the committee, beginning with Mr. McTeague.

**Hon. Dan McTeague:** Thank you, Mr. Chair. If I run out of time, I'm going to pass a few seconds over to Mr. Rota.

Witnesses, thank you for being here today. We very much welcome your presence and your insights. Obviously, you have come at this question from very different perspectives, although there are similarities.

Let me go right to the comments that I think both of you have touched on, and that's the question of availability of credit financing and capital in Canada. I did ask this question of the commissioner when he was at our meeting last week.

Do you feel that there is a sufficient level—and I think in the case of Public Mobile you certainly would probably be a good example of this being the case—of capital available to meet the demands of Canadians to in fact create more competition? Or do you feel that we have to go the foreign direct investment and ownership route?

**Mr. Alek Krstajic:** In our case we've been able to raise capital to launch, but I would say that our ability to continue to operate this company over the next five to ten years.... When you look at what you need the capital for, you need it to build your network, you need it to create your brand, establish your distribution, and then a cashflow trough. Remember, we are pre-revenue companies; we are starting from scratch. Think of us as an infant that needs to be nurtured. We're not an 18-year-old yet. We're really in a situation where there is no question, we're going to require more capital. It's not just access to capital, but on what terms and what the price of that capital is. If we're only allowed to get capital out of one pool, namely Canada, it's going to be very difficult. If we're allowed to get capital from multiple pools, then it's not only more available but the price of that capital goes down.

**Hon. Dan McTeague:** Mr. Lockie, would you comment?

**Mr. Simon Lockie:** I can expand on that a little bit from our own experience. When we were seeking financing for our wireless initiative, we talked to everyone you could possibly imagine. We talked to people domestically and we talked to people outside of Canada.

What we're talking about are extraordinary amounts of capital, and it's not simply a question of whether the capital is there; it's whether it will be deployed with you as a start-up in this scenario against the entrenched and frankly oligopolistic incumbents. There is also the question of the terms upon which it's available. It's a much smaller pool of capital with those other factors, and the cost of that capital gets very high very quickly.

• (0925)

**Hon. Dan McTeague:** Let me ask you this question, Mr. Lockie.

If there is an entrenched duopoly, triopoly—call it what you wish—in Canada, how much of an incentive would be required for foreign investors to make the investment if it's going to be difficult to establish a beachhead and create competition?

In other words, some of us are concerned about the commentary that there is a lack of competition in wireless, as evidenced by a number of standards, questionable as they may be; however, the real issue is how to find yourself in a position to attract that so-called foreign capital, should we have this liberalization, if in fact it's a closed shop to begin with.

**Mr. Simon Lockie:** Well, it is interesting that although the big three represent a significant competitive challenge, over the course of their history they have also created a very attractive investment scenario for start-ups. Competition is very direly required, and that's recognized internationally. You need capital to do it effectively, certainly, but there is a lot of room underneath them.

**Hon. Dan McTeague:** I just can't see a foreign investor walking in and saying that Canada is now open and liberalized, but I'm going to have to establish a significant amount of investment in order to catch up unless I can perhaps situate myself in certain communities where there's a guarantee that I might actually be able to penetrate the market.

Let me ask you a more fundamental question, and this is to both of you. Have you maxed out the allowable level of foreign ownership within your company? Under the rules as they currently exist, have

you used the entire foreign content of voting shares and non-voting shares as it stands?

I'll ask you both the question. Either one can answer.

**Mr. Alek Krstajic:** Well, I'd like somebody to tell me what that number is. What's the maximum dollar amount that you can actually have? In the case of my esteemed friends over here, 100% of the money is coming from foreigners, but for us—

**Ms. Andrea Wood:** That's not correct.

**The Chair:** Mr. Krstajic, could you answer the question? Madame Wood, you can respond after that.

Go ahead, Mr. Krstajic.

**Mr. Alek Krstajic:** We went forward with a structure that we had initially been told would be all right in a pre-auction conversation. In a post-auction conversation we were told, "Wow, that would be precedent-setting. We've never had that little Canadian money in, so you really need to go back to the drawing board."

We went to that drawing board. I may have grown up in a working-class family, but I have invested millions of my own money into this company, and then I had to go out and dilute myself and the rest of my partners, both Canadian and foreign, and bring on some Canadian investment. I actually disagree with Mr. Lockie's statement that there was no Canadian money; they may not have been able to get any Canadian money, but I think that's because the owner who really owned and controlled the company was a foreigner.

We brought on OMERS, the Ontario municipal employee pension fund. We brought on the Thomson family, Peter Munk, and other big Canadians. They invested tens of millions of dollars. OMERS is our largest shareholder.

Are we at the maximum? I don't know. No one has actually told us what the percentage is.

**The Chair:** Madame Wood, go ahead.

**Ms. Andrea Wood:** I think it's incorrect to say that 100% of our financing is foreign. Our Canadian shareholder has contributed some money to our capital structure.

**Mr. Alek Krstajic:** Do you mean actual dollars?

**Ms. Andrea Wood:** It's a contribution in the way of value.

**Hon. Dan McTeague:** The reason I ask is that it seems to be a very good response on what the level of foreign capital investment can be as it currently exists, but I'd like to find out more from Globalive. Obviously the decision by the CRTC varied on the question of controlling content and not so much in the question of the allocation of assets, but I am still troubled. I think this committee is going to have a lot of difficulty making a decision predicated on the belief that somehow there's no capital available in Canada and that the shortest course to more consumer involvement is to open up the floodgates. That may be the way other parts of the world work, and that's great, but I and many others believe that with the United States just south of the border, you're not just dealing with a question of *ceteris paribus* among other players.

Let me put it very succinctly: if Parliament decides, and the minister's decision to proceed with foreign investment in the telecommunications sector is allowed, do you see expansion into areas you currently don't serve? For instance, do you see expansion into rural areas of the country?

• (0930)

**Mr. Simon Lockie:** I'll ask Ms. Wood to speak to this as well.

There are several layers to your question. On what is permissible under the existing regime, as you noted and Alek expanded on, there are no fixed limits on the amount of capital that can be injected. It's a question of the structure and the terms of that capital investment. There is some real ambiguity about the hard lines in caps on that. Obviously there's a subjective component to the existing regime that's been decided differently by Industry Canada than by the CRTC, and ultimately by cabinet.

To speak to your specific question, we're trying to raise capital within Canada and externally.

**The Chair:** Thank you very much, Mr. McTeague.

We'll now give the floor to Monsieur Cardin.

[Translation]

**Mr. Serge Cardin:** Thank you, Mr. Chair. Madam, gentlemen, good morning and welcome.

I will continue in the "conservative" vein by sharing a survey that came to the following conclusion: "Most Canadians (68%) believe that broadcasting and communications are too important to our national security and cultural sovereignty to allow foreign control of Canadian companies in these sectors..."

This was a survey conducted by Harris/Décima, and it shows a somewhat more conservative side of Canadians in the fact that they do not want foreign owners to have control of our companies. However, on a slightly less conservative note, the survey also concluded, and I quote, once again: "...that 64% of Canadians are more likely to vote for candidates who oppose giving control of Canadian media to foreign interests..."

It would appear that Canadians are against foreign control of our media for various reasons. Today's meeting is rather special because representatives of Globalive and of Public Mobile are together here testifying before us. However, there hasn't been much said about what has happened. That is why the committee was struck.

My question is for the Globalive representatives. When you bought \$442 million worth of spectrum, were you aware of the fact that the CRTC could block the transaction?

[English]

**Mr. Simon Lockie:** Certainly we were aware and well advised of the foreign control restrictions found in the Radiocommunication Act and the Telecommunications Act. We knew we would have to comply with them, so we made accommodations at the Industry Canada level. We made further accommodations with the CRTC. Ultimately, on the basis of those changes, cabinet deemed we were in control. So we were aware and had every intention right from the outset of complying. We remain very comfortable that we are in compliance.

[Translation]

**Mr. Serge Cardin:** However, while the CRTC is the body that issues spectrum licences, Cabinet decided, after the purchase, to bypass even the House of Commons and apparently also to go against the Telecommunications Act. Were you, in one way or another, certain after you were issued spectrum licenses that the CRTC would authorize the transaction regardless of the means used, whether the approval came from the CRTC or the government?

[English]

**Mr. Simon Lockie:** The process we went through with Industry Canada that resulted in the issuance of our licence required certain changes to our initial structure, and we made them. We didn't get any input from the CRTC until the hearing, and when we did we made changes to address their concerns.

With all respect, we think they got it wrong—not that cabinet went above the House of Commons or said the act didn't apply to us. I think Tony Clement has been very clear, and it's a very carefully and thoughtfully drafted decision on their part. They're exercising a right they've always had, under section 12 of the Telecommunications Act, which predates Globalive, to vary a decision of the CRTC where they feel the wrong decision has been reached. That's what occurred here.

[Translation]

**Mr. Serge Cardin:** Despite the fact that a foreign company appeared to have control, if other companies had known at the time that it was possible to buy spectrum and secure licences, would that not have made competition somewhat fiercer? For instance, companies like Public Mobile could have also had access to foreign capital. I think that this is in fact the argument you are using to support your position. In what way do you feel penalized?



•(0935)

[English]

**Mr. Alek Krstajic:** Sir, you actually position it very well. There are really two parts to this. If we had known that we could have a different structure, with almost all of our money coming from foreigners, we would have been able to bring on more capital and buy more spectrum. We could have bought spectrum in Vancouver. The good news is that we're in Ontario and Quebec, the most densely populated areas of Canada. So we have 19 million people we can serve. We would have been on more spectrum if we had access to more capital.

However, more importantly, in our mind, we believe that what the government did amounts to a change in the law, which is why we've asked for a Federal Court ruling on this. All we're asking for is that the same rules be applied to us.

I don't want to make any more political gaffes in terms of the parties, but let's deal with something that we all know, whether we are from Quebec, Ontario, or B.C. This is like a hockey game, and in a game of hockey there are rules, and they say you're allowed to put five players on the ice. My colleagues agree with me: capital is the lifeblood. Capital is what allows you to grow and play the game harder. By allowing foreign capital or a higher degree of foreign capital for Globalive, you're allowing them to have six players on the ice, and you're causing Public Mobile and everybody else in the game to have only five players on the ice. That's just wrong. It's not just wrong for us, but here's why it's wrong in the long run.

Investment in this country is going to be driven by a level of certainty. Certainty is going to drive more investment. What we actually have in Canada right now is a situation where there's uncertainty. There's uncertainty because sometimes we apply the rules and sometimes we reverse the rules, and sometimes we don't apply the rules. So let's decide what the rules are and let's apply them fairly to all players. We want six players on the ice, if that's what's allowed.

[Translation]

**Mr. Serge Cardin:** Evidently, we need to clearly define the rules. However, almost no one has taken full advantage of foreign ownership. Ms. Wood was saying that if we were to increase those numbers and open our market to foreign ownership, people would have to be interested in controlling companies using foreign capital.

You say that soon there will be nine players in the small field of Canadian telecommunications. Consequently, if the competition has financial weaknesses, it will crumble before long. Foreign companies that want control will want to control our companies. So, they will not found new companies, but rather buy existing ones. At some point, fewer players will remain in the game, and we will have to say goodbye to competition. So, I do not understand.

How can you be sure that, if you open the market completely to foreign interests, investors from abroad will actually invest, if only to gain as much control as possible over telecommunications, and eventually also over broadcasting?

[English]

**Mr. Alek Krstajic:** That's another very valid point. I can't tell you that you won't run that risk in the long run by changing the rules. If

you just opened the rules completely and said we can have 100% foreign ownership of Canadian telecom, I think you would run the risk of some large international players coming in. You're going to have more sustained competition for a period of time, but if there is a consolidation, you do run the risk of re-monopolizing the entire sector again. So you're 100% correct on that.

I think the point that we're here today to make, though, is that we can't tell you whether changing the rules today is the right thing to do in the long run for all of the different stakeholders and parties concerned in Canada. I can tell you that by allowing more foreign capital, you'll have more sustainable competition in the short run. And I can tell you that it's a travesty to allow one player to bring on foreign capital and not another. I'm not talking just as a new entrant here; I'm talking across the board.

So have a set of rules, be finite in what those rules say, and then apply the rules.

•(0940)

**Mr. Simon Lockie:** If I could speak to a few points very briefly, the first and most obvious issue I'd like to address is this idea that there isn't a level playing field, to use a different sports analogy. In the process we went through, every telecom and broadcast company in Canada structures—

**The Chair:** Just a moment. I'm not getting the French translation.

[Translation]

**Mr. Serge Cardin:** I can hear it.

**A voice:** I can too.

[English]

**The Chair:** Go ahead.

**Mr. Simon Lockie:** Every entity regulated by these acts governs itself according to these restrictions. There are two components, as I think everyone knows. There's the "bright line" legal test—the number of voting shares, that sort of thing. Everyone meets them. The "subjective control in fact" test is something that is assessed by the CRTC, and the ability of cabinet to vary their decision is already present. Everyone has the right, within the confines of the legal restrictions, to structure however they like and to bring in as much foreign capital as they like on terms that respect those rules. None of the other new entrants, including Public Mobile and DAVE, has received approval from the CRTC as we sit here today. They still have to go through that process.

They've both been under review for some time now. If the CRTC in its wisdom determines that they are controlled in fact by non-Canadians, cabinet can either of its own initiative, as they did with us, reverse that decision, if they think the CRTC got it wrong, or the company can petition cabinet to do it. Everyone has the right to structure themselves and to bring in as much capital as they possibly can in a way that respects the rules.

[Translation]

**The Chair:** Thank you, Mr. Cardin. Thank you, Mr. Lockie.

Mr. Wallace, you have the floor.

[English]

**Mr. Mike Wallace:** Thank you, Mr. Chair, and I thank our guests for coming today.

I'm going to put it right on the table: we're not here to hear the arguments back and forth. You guys can compete on the street, but don't compete in here.

I think Mr. Lockie's summation of what's available.... The rules weren't changed or varied. Those rules have existed for many years, and the cabinet decided that to overrule the COC decision of the CRTC. So it's available, it's done, and we're looking today.... I think the motion is really about foreign investment.

You made a couple of points I'd like to follow up on. I'll start with Globalive.

You talked about phased-in liberalization. What is your definition of "phased in"? Have you thought about it? What does it mean? Without giving away competitive secrets, what kind of money are we talking about by way of investment? How big are the investments we're talking about?

Finally, for you, and then I'll come to your colleagues, there's the question of expense of that investment. You are claiming—and I tend to agree, but I want to know what your view is—that foreign investment, or additional opportunities for investment from outside of Canada, may have driven down the price that it costs. Do we have a sense of how much that is and what difference it can make in your business plan?

**Mr. Simon Lockie:** Thanks very much, Mr. Wallace.

To answer your first question, the phasing-in question, we have thought about it, as you can imagine. What I would point to is that the Red Wilson report, and before his report the TPR report, spent over a year looking very carefully at these issues. Our recommenda-

tion and our endorsement is of the phased-in approach recommended by those reports. The idea would be that the initial, immediate step would be to provide cabinet with the ability to waive these restrictions with respect to telecom only—not broadcast, not BDUs, not content, but telecom pipelines only—and to have a presumption, and we can speak to this, if you want, for entities with less than 10% of market share, that such transactions are in the public interest. You'd still have the ability, if you owned more than 10%—as we know, there are three parties in that category—to do any transaction you want; it's just that the presumption isn't there. If it's in the public interest, you could still do it.

So the "phased-in approach" is really saying you don't have to solve or answer the broadcast question. You can have a very careful, considered discussion around that point. You don't have to wait to create real competition or to open up foreign capital to telecom while you're having that discussion. That's the first point.

The second point is that there's a very sliding scale for the terms of capital. There are a bunch of different components to any business negotiation, as I'm sure you can appreciate. The amount of capital available and the flexibility with respect to terms is something that will drive the cost down. We talk a lot about competition in wireless. It's no different from a capital perspective: the bigger the pool and the fewer the restrictions structurally on how it can be invested, the more the cost will go down. And the more you can de-risk—the more successful you become, having revenues, having subscribers—the more attractive it becomes.

I'm not an economist—that's the other point—but it's very difficult to pin down what exact effect it will have on terms. But they will certainly come down.

As far as our own capital requirements are concerned, frankly, we're not very comfortable talking about that question, but it's a lot.

● (0945)

**Mr. Mike Wallace:** I have one follow-up and then I'll move on.

The government's move to open up the opportunities to attract capital from outside Canada is, I think, applauded. We believe it will create more competition and drag down prices. As a policy-maker, if I change policy to allow for more investment from foreigners and drive down capital, how much assurance do I have that the savings will be passed on to actual consumers?

**Mr. Simon Lockie:** It's a bit of an economic question. I thought Mr. Globerman did a very good job talking around these types of issues. If you accept the proposition that capital is required for competition and you accept the proposition that competition creates circumstances that are better for consumers, then it's a very quick line to get there. I think the market will dictate what the balance is. Right now, the market isn't competitive, so you have extraordinarily high profit margins and extraordinarily low penetration. That's what we think will be resolved.

**Mr. Mike Wallace:** Turning to the Public Mobile folks, I appreciate your coming today. You have been to my office before to talk to me about these issues.

The one issue I have in general, and I thought you might be able to shed some light on it today, is that I find that companies in my area—for example, steel companies, Dofasco and so on—have been swallowed up. All steel in this country has been bought by foreigners now; there's no Canadian steel company. Then I'll hear people ask, why did the government allow that to happen?"

I push back a little bit, that Canadians are not great at investing in themselves. I think you said they're a little more risk-averse, especially on the capital side, than other countries may be.

Based on your experience and background, can you tell me what obstacles the government has put in place or are there to keep Canadians from investing in Canadian companies? Are they structural, are they policy-based? What are the issues? Why are Canadians not coming to the table more readily for investment opportunities, in your view?

**Mr. Bruce Kirby (Vice-President, Strategy, Public Mobile):** The answer is, there is no simple obstacle that prevents Canadian investors from doing so. Some of it has been an evolutionary process in Canada. Big institutional investors are actually a relatively new invention in Canada. The big pension funds only go back essentially 20 years, when the teachers' pension plan was created, and a number of the others have come in from that.

In other markets, particularly south of the border, large pension funds, large foundations, and trusts of various kinds have been around going back a hundred years and therefore have simply had more time to build up some of the capability. This becomes an important factor: it takes a certain amount of time to get over that risk aversion.

Part of it is that when people succeed and do well in these kinds of things, it becomes easier to attract additional capital in the future when they have the opportunity. And this has been a big problem.

It's interesting that you talk about concerns with the takeover of the steel industry. I find that an interesting comparison to telecom. The concern always, in such things as the steel industry, is that it gets taken over by a foreign competitor who then moves the manufacturing somewhere else. That is never an issue in the case of telecom.

Public Mobile is building out to operate across Ontario and Quebec, because that is where we have a licence. Our network will sit wherever we have a licence, and our customers will sit wherever we have a network. The level of ownership we have, or who owns the company, will never impact the fact that the bulk of our assets,

our infrastructure, our operations, and the jobs we create will always sit where our service is, because that's where our customers are and how we happen to serve them. That is not the case with some other industries.

• (0950)

**The Chair:** Thank you very much, Mr. Kirby.

Thank you, Mr. Wallace.

Mr. Masse.

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Chair, and I thank the delegations for being here.

Over the eight years that I've been here and seven on this committee, we've heard the other entrants on multiple occasions, but this is the first time for us to hear your case, because you're new to the whole debate.

I want to make sure I understand your structure. We have a flow chart. I'll start with Globalive, to understand who we're talking with in terms of what you represent in the company. I have a structure here wherein we have the three major investors over top and then Globalive underneath.

Can you explain to us where you sit, as legal counsel, and what department you're in—and as well Mr. Antecol?

**Mr. Simon Lockie:** Sure.

Ed Antecol is vice-president of regulatory of the fixed-line operation, if you look down on the left-hand side, Globalive Communications Corp. So that's legacy business. We've been around for about 12 years now.

I am chief legal officer of the fixed-line group of companies. I'm also chief legal officer of the Canadian shareholder, AEL Holdings, up top. I'm also on the board of directors of Globalive Wireless. Globalive Wireless, operating as WIND Mobile—the chief legal officer is Ms. Wood here.

**Mr. Brian Masse:** Okay, thanks. That's helpful, because the chart doesn't explain all that, and I want to make sure that we understand the right positions.

As well, for Public Mobile, are you the CEO?

**Mr. Alek Krstajic:** I'm the CEO of both the holding company and the operating company, and Bruce is also an officer of both the holding company and the operating company.

**Mr. Brian Masse:** Could we get Globalive to submit something more comprehensive? That would be interesting. You have seven of eight board directors who are Canadian, and they're not here today. I'd be really interested to see a little bit more of the structure of Globalive.

On my first question, I'd like commentary from both of you. The CRTC chairman came forth and gave us testimony that despite the new entrants coming into the market, he expects there will probably be only two or three, perhaps, at the end of the day, after maybe takeovers and acquisitions. That was supported.... I'm going to read a *New York Times* quote, from Mr. Sawiris, the chief executive of Orascom, who said: "The next few years will witness major consolidation. All small and medium-sized operators are looking for appropriate M & A deals to be...in place on the new world map."

What I worry about is we open up the restrictions here and we don't necessarily achieve a more competitive market because we go back to a select core of operators and competition really isn't increased.

Can I get both of your comments on that, please?

**Mr. Simon Lockie:** Sure, I'd be very happy to provide my perspective on that.

What Mr. Sawiris said, I think, is a view that would be shared in almost any industry across the world. The reality, in my view, is that what we need, as Canadians, is a vigorously competitive market, and the market will determine how many parties would be the efficient way to do that.

By reducing restrictions on foreign capital, what you do is permit vigorous competition, and the threat of increasing competition coming in down the road is a very strong competitive factor. None of the existing big three have had that threat, and it's very evident if you look at the profit margins. So that is what we would be addressing.

I want to speak just a little bit about something else. The reports that we're endorsing, the recommendations we're endorsing, aren't necessarily opening the floodgates in that sense. We're endorsing an approach where cabinet would review these things and deem whether they're in the public interest or not, and that's an interesting input for them to have.

Now, there's a rebuttable presumption with respect to the smaller operators and no such presumption with the larger operators that it would still have to be in the public interest. And there are examples with the Investment Canada Act, which I think probably most people are familiar with, about the kinds of commitments and understandings that can be reached in permitting those types of transactions.

**Mr. Brian Masse:** Do you have any comments?

• (0955)

**Mr. Alek Krstajic:** I think Simon's right that you're going to see consolidation across the board. I don't think the fact that there may or may not be consolidation should really be at the heart of a decision on whether to allow more foreign capital into this sector. I think it really comes down to what it is that you want to achieve in the long run. If what you want to achieve is sustainable competition, then you've taken the first step, which is you had an auction, you set aside

spectrum to make sure that there were going to be new entrants, and here we are. Like us or not, here we are.

The second step is, again, that infant analogy: now make sure that you don't make a mistake that undoes the first good step, which was creating competition; now make sure it's sustainable. And the way you hurt that situation is either not having an environment where we can get more capital, or, quite frankly, having rules that apply in some cases and not in others, which creates uncertainty, which makes it difficult for me to get more capital.

**Mr. Brian Masse:** Unlike Mr. Wallace, when I look at some of the cases, I think Canadians actually do want to invest in Canada. Just look at RIM wanting to purchase assets of Nortel. We can look at what's happening in the mining industry with Xstrata, which is choosing not to refine minerals that we have so that they can increase profitability in operations abroad.

There are capabilities here, and I would like to thank the research department for providing the committee with this very good paper on the returns from the current incumbents. For the last four years, aside from one case, and for several years in most cases, they have been good returns, and there has been some serious investment, so I think there is a good case for people to invest in it, period.

Second to that, would you agree to enforced consumer rights in regulations? I am looking for guarantees that there is actually going to be the so-called panacea. People seem to think that if we have this increased competition, you are going to pass on lower rates, you are going to pass on better service, and consumers are going to get a better product. What's in it for the public, and how do we guarantee that?

**Mr. Alek Krstajic:** Simon said he's not an economist. I'm not a lawyer, but I am an economist. My belief is that the right thing to do in this instance is not to try to overregulate that part. If you allow sustainable competition in the form of new competitors such as ourselves, what you get is a pretty simple equation. If you don't have a cellphone, we need to take you, the customer, and show you the reason you should get one. We have to understand the obstacles to be overcome. We have to create value. If you are a customer with an incumbent and we're trying to get you to come over to us, it is about increasing value and what the levers on value are. It's what you offer in product, service, and price.

I would argue that as long as you don't have three simple players and as long as these are sustainable competitors, you are going to get what you want for the end user, which is lower prices and higher penetration.

**Mr. Brian Masse:** I don't want to be a cynic, but I have heard that before in terms of many other products and services. I think one of the reasons that we had the incumbents under protection was to create a national infrastructure, and it was for more than just the consumer end of it: it was national security and a whole series of different elements of the devices that we are using throughout the system.

I would like to hear whether there is a commitment for increased consumer protection in the philosophy of your companies. Maybe there's not.

I'm not satisfied, and I think that maybe the vast majority of Canadians are wrong. They don't feel as consumers that they are.... You argue that the incumbents are not giving those services, but what would you do differently to guarantee that they will be passed on to them?

**Mr. Simon Lockie:** What I would suggest there is that you take the fairly broadly accepted leap of faith that competition creates choice, drives down prices, and does all the good things that consumers want and need. That is the stated purpose for the AWS auction that led to our being here today.

As far as guarantees go, there are existing mechanisms, and to the extent that the government feels it needs to regulate to achieve specific policy ends or to get specific protections, it should do that. The reality is that the blunt-force tool of restricting foreign ownership and control hasn't been achieving those needs. Frankly, we are actually suggesting what the TPR and Red Wilson are suggesting: that we eliminate that blunt-force tool for telecom, because it just isn't working.

• (1000)

**The Chair:** Thank you very much, Mr. Masse. Thank you, Mr. Lockie.

We'll go now to Mr. Rota.

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

Thank you for coming out today. We appreciate it.

It was interesting last week when we had different players make presentations as well. One of the questions was on how much foreign capital they had. Most of them built up with very little foreign capital or foreign investment, and they seem to have done okay. I realize the rules were a little different, and that was probably their biggest concern. Their concern was that the process wasn't clear, and I hear that concern echoed this morning. The rules are subject to...I think it was Mr. Krstajic who mentioned "the regime". I find that an interesting term when it comes to this government, but I won't get political on this one—

**Some hon. members:** Oh, oh!

**Mr. Anthony Rota:** As policy-makers and parliamentarians, we have to look at the long term, and I am concerned about some of the

things I'm hearing. In the short term it sounds as though we're going to get great competition, meaning we're going to get great prices. One of the terms that was brought up as well was, as I think Mr. Krstajic mentioned, sustainable players, yet in every study we've looked at, and as you even mentioned yourselves this morning, in time it all boils down to about two or three players again.

How does that benefit Canadians? You have very adventuresome investors come in, and once the consolidation takes place again down the road, it was mentioned that we might end up in another monopoly situation. That is great for investors, but how does that benefit Canadians in the long run? Down the road they again end up with a monopoly, or two or three players; the investment that came up is not Canadian, but from another country; and when you owe money, the people you owe money to basically control how you run your company, no matter how you look at it.

Maybe you can comment on that.

**Mr. Bruce Kirby:** Yes. Ultimately what matters the most for consumers is not the exact number of competitors at any given point in time; it's the ability of new competitors to come in and give them new opportunities through innovation, through new services, through new businesses.

The problem we've had for the last number of years is that there have been three players. They are roughly equal, frankly, as everyone understands. They operate like a nice simple oligopoly, and there has been no opportunity for new entrants of any kind to come in. It was in that environment, by the way, with its Canadian ownership and control requirements—and they've all been fully Canadian-owned—that they have, to put it quite bluntly, taken advantage of the chance to screw the consumer. That is what happens when you have an environment where you don't have that freedom.

What you're going to have now are a series of new entrants coming in. We don't know how each individual one will evolve; they may consolidate down. The answer is that over a period of time, you may get to a smaller number of players than initially entered. There are still a whole series of provisions in terms of competition law that protect you from consolidating back to a pure monopoly, although they were allowed to get down to that three-player situation that we have had for the last little while.

What's important at that point and over a long period of time is having an environment that allows other new investors to come in, that allows the creation of other new entrants over time, and that ultimately keeps that dynamism in the market. It's that dynamism in the market that drives the change that ultimately gives the protection Mr. Masse was alluding to for consumers.

**Mr. Alek Krstajic:** The practical matter is that we have introduced a flat-rate unlimited model, and WIND has a flat-rate unlimited model.

I can tell you that the incumbents never had, and still don't have, a flat-rate unlimited model. Who benefits from that? The consumer benefits. Are we taking lower margins? There is no question that we are.

To go back to Mr. Masse's question, look at what we put into the market when we had the ability to put anything we wanted into it. We put in a low-margin product that benefits consumers. Why? That's the way to break inertia. That's the way to get consumers who don't have a cellphone to buy one.

**Mr. Anthony Rota:** I'll let you go, and then I'll ask another question.

Go ahead, please.

**Mr. Simon Lockie:** I agree with what both Mr. Kirby and Mr. Krstajic said.

The reality is that it takes a lot of capital to create a competitive alternative to the existing oligopoly, and the threat of new competition coming in is a very effective competitive tool. It's something that the Competition Bureau, for example, looks at when it is determining how competitive an industry is.

That, I don't think, can be understated. There will be continuing competition so long as you remove this barrier to entry and to capital. That's how I would sum it up.

I would also just like to clarify one point: Rogers, Bell, and Telus all started with enormous amounts of foreign capital. Bell and Telus in particular were foreign-controlled.

**Mr. Anthony Rota:** Very good.

Mr. Lockie, maybe you can clarify one of the things you mentioned. I jotted it down as you mentioned it. Did you say that when an applicant is coming forward, the cabinet would review every application?

Am I clear on that? My understanding is that there is a process in place, and everybody would have to go by the same rules. That's what the problem is here: the rules changed midway through. I'm just wondering how this would work. You mentioned it, and I just want a clarification on it.

Do you believe that cabinet should ultimately make the decision? Then we're really into a regime that nobody wants. I wanted to give you the chance to clarify that statement.

• (1005)

**Mr. Simon Lockie:** Thank you.

Certainly that was the recommendation of the TPR report and also of the Red Wilson report. That being said, the presumption that any investment in a company that is a start-up or that has less than 10% is in the public interest would take a lot of the administrative burden off.

As far as implementation goes—and I don't mean to sound flippant—I would expect that the government would give careful

thought to the right way of structuring a regime like that, to use the word again.

**Mr. Anthony Rota:** The concern I have is that I've seen some third world countries that allow a certain group to control everything. I don't want to see Canada go that way. It doesn't quite work, but that—

**The Chair:** Thank you, Mr. Rota.

We're going now to Mr. Braid.

**Mr. Peter Braid (Kitchener—Waterloo, CPC):** Thank you very much, Mr. Chair, and thank you to our company representatives for being here this morning.

We've heard through the presentations this morning, and from previous witnesses as well, that in Canada the market penetration for wireless is quite low. In fact, it's one of the lowest among our international competitors.

Perhaps, Mr. Krstajic, I'll start with you, given that this is a macroeconomic question. What are the adverse effects to our economy as a result of that lower penetration rate, in terms of productivity, innovation, new technologies, or whatever the case may be? Can you quickly tackle that one at all?

**Mr. Alek Krstajic:** Sure, and I'll try to be brief.

I was selling cellphones right out of university in 1986, when they were \$5,000 and the size of a suitcase. You know, when they dropped down to below \$1,000, more people started to buy them.

The one thing I remember saying to everybody when I was making a sales pitch was, "I'm going to work hard to convince you that your productivity is going to increase with this phone, but the minute you have it and you use it for a day, you'll wonder how you survived without it". That's the reality: every new form of technology increases our productivity.

My wife used to say to me, "It bothers me that you use the BlackBerry when you come home", and I said, "Well, then, I can stay at the office longer, if that would make you happier".

**Mr. Peter Braid:** She said yes.

**Voices:** Oh, oh!

**Mr. Alek Krstajic:** She did. My kids wanted me home, though.

There is no question that access to technology, especially wireless technology, increases your productivity.

When I was running the high-speed Internet business for Rogers, a friend of mine had this great analogy. We had both grown up on the poor side of town. He said, "When we grew up, the difference between a rich kid and a poor kid was the poor kid only had one hockey stick, and the rich kid had one hockey stick for ice hockey and one for street hockey." It's changed now: if you don't have access to the Internet, if you don't have wireless access, it has an impact on where you end up.

**Mr. Peter Braid:** Thank you for that.

I'll direct this question to both company representatives. We know that market penetration is less than 70%. Can you project over time, given the fact that you're now competing in this space, how market penetration levels may increase over the next five years?

**Mr. Alek Krstajic:** They're going up.

When you look at countries around the world.... Normally I can do this demo really well, but they took my BlackBerry down at security because the battery had run out. I carry a BlackBerry and a phone. That may seem counterintuitive to some of you, but if you're actually looking to save money, you take a lower-rate plan on your BlackBerry, you get one of the unlimited plans—such as Public Mobile, for example—and you carry one of our phones.

My parents immigrated to this country from Montenegro. Montenegro is a country of roughly 750,000 people. There are a lot of sheep farmers. More than half of the population are the peasant class up in the hills. Wireless penetration in Montenegro is in excess of 100%. It's multiple devices. Go figure that one out.

**Mr. Simon Lockie:** Thank you, Mr. Braid.

What I would say is simply that people want phones. People want mobile phones, and it's clear that the more competitive things are, the more people get them. You have in excess of 100% penetration in Asia and Europe. In the United States it's far higher than in Canada, but they have some work to do as well, so who knows?

I would say that ultimately, in a competitive environment, it will go up to 100%. That seems to be what the lesson is globally.

• (1010)

**Mr. Peter Braid:** Good.

Given the power of the big three and the entrenchment of the big three, why enter at all as new entrants? What's the upside?

**Mr. Alek Krstajic:** Well, I was with two of the big three, so as I've often said to them, I don't just know where the skeletons are buried: I buried half of them. I look at the opportunity and I say their size is something to be respected, but also, in our case, if they were going to go after this low end of the market—the working-class Canadian—they would have done it by now. Their cost structures aren't set up to be able to create the kinds of margins they need and still go after this part of the market, so we're going after it. I've invested my money, and my partners have, because we think there's an incredible opportunity to serve that market and serve it well, but on a very different cost structure.

I think that when you try to be everything to everybody and go upmarket with smart phones and try to go down to the low end of the market with flat-rate unlimited, it doesn't work as well. We're a pure-play, one-rate plan, and that's the opportunity we're trying to seize.

**The Chair:** Thank you very much, Mr. Braid and Mr. Krstajic.

We're going to go now to Madame Lavallée.

[Translation]

**Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ):** Thank you very much.

Normally, I do not sit on the Standing Committee on Industry, Science and Technology. I am a member of the Committee on Canadian Heritage, where I mainly defend artists' interests. I am here

because Quebec's cultural sector is deeply concerned about the introduction of foreign ownership in the area of telecommunications. This is the case because, among other reasons, telecommunications and broadcasting have merged into one, despite the fact that you will most likely disagree with that statement.

To make my case, I will present three arguments. First, as you know, those who control access, control content. To illustrate this point, I have here as an example a wonderful Bell Mobility advertisement offering 16 free applications that present cultural products Bell is selling to its mobile phone users. Second, there is the matter of convergence. The Wilson report mentions this issue. In addition, the CRTC also talked about it last week. Third, in the near future, “mobisodes,” which are episodes that can be watched on mobile phones, will become available. The concept is similar to that of “webisodes,” currently available on the Internet. I do not know if you are familiar with the idea of webisodes, but in Quebec we have, among others, *Les chroniques d'une mère indigne* and *Têtes à claques*. Soon, they will become available on smartphones. We will be able to watch short television shows on our phones.

The CRTC shared my opinion when it appeared before the committee. We are not only talking about the cultural sector. The CRTC made its point very clear: the Telecommunications Act and the Broadcasting Act should be merged.

By the way, Mr. Lockie, the CRTC did not make a mistake in telling you that you are not a Canadian company. What everyone has understood is that Globalive had access to Cabinet before participating in the auction where you spent \$340 million. You had the right to appeal to the CRTC, but you took a different path and appealed to Cabinet, more specifically to Industry Minister Tony Clement.

In short, there is currently a loophole in the telecommunications sector that makes it possible to adopt a new corporate structure that would endanger Quebec's and Canada's cultural identities.

My question is simple, but it is at the same time open-ended, so don't hold back. What do you intend to do, as a telecommunications and, henceforth, as a broadcasting company, to protect Quebec and Canadian cultures, which are currently threatened by the arrival of foreign companies in the telecommunications sector?

[English]

**Mr. Alek Krstajic:** Maybe I'll take this one first. It will give you guys a chance to think about that.

I respect where you're coming from. I apologize for not being able to answer the question in French, but my French is not strong enough to answer this complex question.

I think there is a slippery slope you are identifying in the linkage between the broadcasters—the players who play there—and the players who are on the telecom side of the house. In our case, we have nothing to do with the broadcast side. You bring up something that is a complicating factor, because a lot of the incumbents play on both sides. If you deregulate one side of the house, how do you ensure that the slippery slope doesn't affect the other side of the house?

We believe that we are a Canadian company, and not by some legal test. My largest shareholder is Canadian. “Follow the money” was an old expression I heard from a forensic accountant once. Follow the money and you'll decide who actually makes the decisions. In our case, we are a Canadian company, full stop. Do I have some foreign money? Yes, I do. I have some American partners. But my largest shareholder is OMERS. The largest private individual investor is me. I am a Canadian. I was born here. So I look at that....

• (1015)

[*Translation*]

**Mrs. Carole Lavallée:** I am sorry, sir, but I have very little time remaining. I would really like you to talk about culture and about what you will do to protect Canadian and Quebec cultures. You say that this does not concern you, but unfortunately, it does. A number of witnesses sat in your chair and told us that, from now on, telecommunications and broadcasting are one and the same thing.

You currently offer a very simple product, I will even go as far as to say that it is a low-end product. Yet, we know how this kind of thing normally works. You get into a market with a bottom-of-the-line product, and then you start offering the smartphone. Therefore, you will be directly involved in culture. You will have to make some cultural decisions on what to make available on your smartphone. What will you do to protect Canada's and Quebec's cultural identities?

[*English*]

**Mr. Alek Krstajic:** The answer is that I will continue to operate within the rules as set out. So if the rules say that I must be Canadian, I will be Canadian, which is what we are today.

[*Translation*]

**Mrs. Carole Lavallée:** Thank you, Mr. Lockie.

[*English*]

**Mr. Simon Lockie:** Thank you.

As Alek noted, it is a complex question. The answer, though, is very simple. To return to the reports we are endorsing today, they considered this issue very carefully. In their view, and in my view, and in a globalized view, we are a pipeline. We are not a broadcast company. The Broadcasting Act has regulations and Canadian ownership control restrictions that we are not suggesting here today should be changed. We're saying to look at it and think about it. A lot of these questions come up with respect to the Internet as well, as I'm sure you appreciate. If there is a determination that in fact phone companies and Internet providers and so on are all broadcasters or all BDUs, that's a different discussion. Frankly, the conclusion reached by the reports is one we share, which is that they're not the same.

**The Chair:** Thank you very much, Mr. Lockie.

Merci, Madame Lavallée.

Mr. Brown.

**Mr. Gordon Brown (Leeds—Grenville, CPC):** Thank you very much, Mr. Chairman.

Thanks to our witnesses for coming today.

I happen to represent a rural riding just outside of Ottawa. Not that long ago, if you went a few kilometres off the main roads, you would lose your call right in the middle of a call. In the last couple of years that has changed quite dramatically. Maybe you can tell us a little bit about what your plans are to serve rural Canada. One of my concerns, of course, is that if we open this up as we have, the new entrants are just going to be serving a lot of the urban parts of Canada, maybe taking away some of the volume of business from the other companies and in no way improving service or access in having those lower-price options available to more rural parts of Canada. Maybe we can hear a little bit about that from our witnesses.

**Ms. Andrea Wood:** We do have spectrum in rural areas. That's an issue we've been giving a great deal of thought to. It's in our interests, of course, to ensure that all of the assets that sit on our books deliver value to our shareholders. We'd like to find a way to monetize that spectrum. Without wanting to give away any trade secrets, I would say we're looking at a variety of alternatives to ensure that the spectrum is used.

**Mr. Alek Krstajic:** We'll be a little more direct. We have a licence that covers Windsor to Quebec City. If we have all the capital we need, we will build out Windsor to Quebec City. We'll start with the urban areas, because that's where we'll actually get the payback allowing us to fund building into the rural areas. The people who live in those rural areas won't get our service as quickly as will someone who lives in an urban area.

**Mr. Gordon Brown:** Will access to more foreign capital make it more likely that you'll be able to get into more rural parts of Canada?

**Mr. Alek Krstajic:** Yes.

**Mr. Simon Lockie:** Yes.

**Mr. Gordon Brown:** Okay. That's what I was interested in. Thank you.

**The Chair:** Thank you very much, Mr. Brown.

Mr. Masse.

**Mr. Brian Masse:** Maybe I can follow up on that. Using that logic, you get a lower rate of return from rural than you do from urban. It costs more to service and develop the business plan for that. What would be the motivation for a foreign investor to get controlling shares—since they can actually do this now—to actually invest in that type of a product?



•(1020)

**Mr. Simon Lockie:** With respect, if I could put the question back to you, rhetorically, what would the difference in motivation be for a foreign-controlled telecom company in Canada versus a Canadian-controlled telecom company? A certain amount of rural build-out occurred as a condition of free spectrum being issued. We obviously didn't have that ability. I would suggest that the government has other tools—subsidies, tax breaks, that kind of thing—to encourage in various ways rural build-outs to make them a more attractive economic proposition. Bell, Rogers, Telus, MTS, Shaw, Vidéotron, and all of us are rational economic operators.

**Mr. Brian Masse:** This is where I still don't buy the answer, in terms of the motivation of a foreign investor to do that. Then we're basically back to the same scenario, in many cases, of it being the consumers and government subsidies that have been expanding the footprint across Canada. There has been some other investment because of the regulations we have in place, but the deferral accounts and other types of budgetary allocations have been put into funding, and some of it hasn't actually gone out the gate yet. We heard that the other day in testimony from the clerks, their office.

Why would somebody overseas want to invest in a lower rate of return for that expansion?

**Mr. Simon Lockie:** I think the answer to that question is not that foreign control is a solution to your problem but that it's a necessary condition to solving the problem. You need competition, and you can't say if we open up the restrictions on public interest and this sort of thing—incidentally, the public interest part of that could have a rural component to it.... The issue is that you need capital to build. To incent people to build is a different question, but that isn't a different question for a Canadian-owned and -controlled company versus a foreign-owned and -controlled company, with respect, in my opinion.

**Mr. Brian Masse:** It's good that you identify this at the beginning, Mr. Lockie. I think it's part of the honest debate that needs to happen when you mention it is about controlling shares, because that's often thrown aside. You can have as much foreign investment as you want; it's the controlling shares where the limitations are.

**Mr. Simon Lockie:** In theory.

**Mr. Brian Masse:** In theory, but if it's applied....

We've seen some of the sectors where we have that consolidation. I look at the oil and gas industry, the insurance industry and so forth, and Canadians don't think there's real competition there. I wouldn't say there is collusion; it's not necessary, because there isn't the competitive nature in those industries. You don't see them getting a value back on their return. You don't see the competition you would normally expect. And they have their models as an example.

So what would be the incentive for Canadians then to lose Canadian iconic companies, lose control to foreign interests that end up making decisions about the next wave of development this industry takes maybe 20 years from now?

**Mr. Alek Krstajic:** Mr. Masse, I think Simon's point is valid. Whether you're a domestic billionaire or a foreign billionaire, you got to be a billionaire by making good economic decisions.

Here is the reality: you build networks to serve customers. If I have a choice between building out Toronto or building out a rural part, I'm going to build out Toronto first because I'm going to get more customers there. In our case, for example, we cover 19 million people. That Windsor to Quebec City corridor is about 16 million people. It makes sense to cover all those people, so you build out for that reason.

On the issue of control, again, I'm not the lawyer, so I can't comment on these complex structures, but here's what I learned a long time ago. There's this thing called the "golden rule", and ironically it was Michael O'Connor, who works for these folks, who taught me the golden rule. When I looked at potentially joining them before I joined Public Mobile, I was asking a bunch of questions about how the company was going to be run. I was wondering where these decisions would be made. Michael told me that Naguib Sawiris believes in the golden rule. I asked him what the golden rule was, and he told me, "He who provides the gold rules."

At the end of the day, controlling shareholders do make decisions. The golden rule will always hold true.

•(1025)

**Mr. Brian Masse:** I think we have to start looking at this in a bit of a different way as this debate opens up.

When Canadians look at the profits that have been made from the current system and the new entrants coming in, I think they need to decide one or two things. First of all, the public spectrum that has been auctioned off is the public spectrum. It is something we own and it has been paid for. Allowing certain sectors of Canada to be cherry-picked and exploited as the entrant and then making profits and not expanding markets into rural and other areas might be philosophically looking at a change in regulatory behaviour, by Canadians' expectations.

Once again, the consumers are paying for all of this. I don't think it's fair for either old entrants or new entrants to come in and expect consumer or public subsidy to entirely do this. That's not the way Canada has developed.

**The Chair:** Thank you very much, Mr. Masse.

We will 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 today.

I want to start by talking a bit about some of Mr. Masse's earlier comments with regard to good returns from incumbents. We've heard a few times that incumbents have good returns and therefore it should be attractive to come into the market.

It makes sense on a really basic level, but maybe you could clarify that I'm hearing you correctly. I think I'm hearing that when you combine the good returns that those incumbents are getting with the sheer size of the incumbents, the scope of their business, it makes it very difficult, first of all, for a start-up company to come in and compete. They have these big companies, but they are also healthy and able to put up a pretty good wall when you try to compete against them. Second, it makes it very, very difficult to compete for capital. Because they do have good returns, they attract all of the capital—it would seem to make sense—and that makes it very difficult for a start-up company to get capital.

Am I reading that correctly?

**Mr. Simon Lockie:** I would qualify it somewhat, to say that what you describe as a challenge is also the opportunity. As a start-up, a new entrant, you are looking to introduce competition, and there's a ton of room out there.

The other point I would like to make is that our company is 12 years old. We've competed with the incumbents for a long time and we've been successful. We are the fastest-growing company in Canada. We have won numerous awards and have been deemed one of the 30 best work places in Canada.

The reason I point that out is that we do not underestimate the competitive power of the incumbents. We are ready, willing, and able to successfully compete against them. We require capital on reasonable terms to do that, and we can't get capital on reasonable terms under the existing regime.

**Mr. Mike Lake:** All right.

**Mr. Alek Krstajic:** On capital, if you have an organization like Public Mobile where there is no one dominant, controlling shareholder, whether you're talking about voting or non-voting shares, all the money didn't come from one guy. You can get money, and we did. I think we've been able to carve out a niche we're going to go after that the incumbents aren't targeting. We have Canadian shareholders with deployed money. So while funds in Canada are limited, we've been able to come up with a plan that works.

**Mr. Mike Lake:** We heard from Mr. Rota and Mr. Masse earlier. It sounds like they're concerned about the ability of Canadian companies to compete, in a sense. There are worries that somehow, if you open up foreign ownership, Canadian companies are going to get swallowed up and not necessarily be able to compete.

One of the things we've seen in broader terms with foreign investment is that Canadian companies are expanding. When we relax foreign ownership restrictions and other countries do the same thing reciprocally, Canadian companies are expanding to the tune of about 20% more into foreign territories and being successful on the foreign stage.

I want to ask that question as we go down this road, assuming that other countries are going to take similar measures and make it possible for Canadian companies to compete in foreign jurisdictions. Maybe you could speak to the ability of Canadian companies, your companies, to compete on the world stage. You're obviously just getting started here, but in 10, 20, or 30 years, what are we looking at in terms of our ability as Canadian companies to compete on the world stage?

• (1030)

**Mr. Simon Lockie:** Thank you.

There are a couple of elements to my response. First, the public interest component of the recommended approach from the TPR report and the Red Wilson report can go a long way toward addressing concerns people might have about companies getting swallowed up. That's speaking to a concern you raised and repeated.

The other point is that whether it's ourselves, Bell, Rogers, Telus, Public Mobile—you name it—a competitive environment creates innovative, fast-moving, aggressive, and lean corporations that look for opportunities. Quite frankly, there hasn't been a lot of impetus, if you are one of the incumbents, to look beyond our borders. There's a pretty good situation for them right here.

I think competition is the answer to a lot of ills.

**Mr. Alek Krstajic:** I'm not disagreeing with anything Simon says, but the reality is that if we're here telling you we need more capital to grow within Canada in our planning horizon over the next five years, we have our hands full growing and competing here. We're not looking to acquire abroad.

**Mr. Mike Lake:** Okay.

**The Chair:** Thank you very much, Mr. Lake.

Thank you to our witnesses.

We'll now go to Mr. Scarpaleggia.

**Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.):** Thank you.

Mr. Krstajic, you said that owning a cellphone is a right. Did I understand that?

**Mr. Alek Krstajic:** I said our position is that everybody talks, and we believe that having access to wireless should be a right, not a privilege.

**Mr. Francis Scarpaleggia:** Does that mean government should take proactive measures to ensure that right is enjoyed by people in rural areas?

**Mr. Alek Krstajic:** I think the government should try to facilitate access to capital and competition so it naturally arises, as opposed to ham-fisting it and trying to drive it through at an unnatural pace.

**Mr. Francis Scarpaleggia:** Mr. Kirby, you said your company and other companies like yours will create jobs here in Canada, unlike Stelco or other companies. Was that it?

**Mr. Bruce Kirby:** Yes.

**Mr. Francis Scarpaleggia:** I look at downtown Montreal, and there's the Bell Tower and the Bell Centre, but won't a lot of your call centre jobs be offshore?

**Mr. Alek Krstajic:** No. We're taking a position that unlike some of the incumbents that have driven calls offshore—I'm tired of explaining to somebody where Scarborough is in Toronto when I'm making a directory assistance call—all our call centres are here in Canada, and calls will be answered here in Canada.

**Mr. Francis Scarpaleggia:** Mr. Lockie—

**Ms. Andrea Wood:** Can I speak to this one for a second?

We have two call centres and both are in Canada. We believe that an important part of what will distinguish our customers' experience from that of customers of other players is offering Canadian call centres that are familiar with the customers' issues where they live, and can better address their issues.

**Mr. Francis Scarpaleggia:** Thank you.

Mr. Lockie, you did get foreign capital. Your investor is an offshore investor. I hear there's a problem in attracting foreign capital, but you attracted a good investor.

Both of you seem to be doing well. Both companies seem to be doing well in terms of putting together a good marketing strategy. You have your niche markets, you have your capital. Shouldn't we just wait to see how you do before we open up the market? If you don't need us to open up the market, then we won't.

**Mr. Alek Krstajic:** I guess our position is a little bit different, in that we believe the market in fact has been opened up for WIND; it hasn't been for us.

**Mr. Francis Scarpaleggia:** That brings me to my next question. I still haven't—

**Mr. Simon Lockie:** Could I answer the first one? What I would suggest is there should be an appreciation for the terms under which that capital was invested. It was a very significant challenge to attract investment within the constraints of the existing regime.

You're right, we were successful. But what we were successful in doing was securing very expensive short-term bridge capital that was intended to be replaced at the earliest possible opportunity in the operating company. Moments later the credit crisis hit.

**Mr. Francis Scarpaleggia:** But Mr. Lockie, you invested knowing what the rules were.

**Mr. Simon Lockie:** Absolutely.

**Mr. Francis Scarpaleggia:** So you're taking a risk. You're an entrepreneur.

You're giving us two messages here. You're talking about the entrepreneurial spirit, and then you're saying we invested under certain conditions, and now we have to change the rules because we don't think we can make it if the rules aren't changed.

• (1035)

**Mr. Simon Lockie:** We think that in order to build out to our fullest potential and to create the most legitimate effective competitor to the incumbents, we require capital on reasonable terms.

**Mr. Francis Scarpaleggia:** Do you believe that the foreign ownership rules should be struck down for the big players as well—Bell, Telus, Rogers?

**Mr. Alek Krstajic:** Are you asking me, sir?

Look, I'm not going to speak out of both sides of my mouth. I think the reality is—I'll say it again—that there should be a set of rules and they should be applied fairly and evenly across the board to all players.

**Mr. Francis Scarpaleggia:** So the cap on foreign capital should be erased as well?

**Mr. Alek Krstajic:** Look, I think the question really is a question of how and when. I think that right now if you change the foreign ownership rules and allow them to take on more capital, the reality is they don't need capital. They're sitting on billions of dollars. They pay out dividends. They don't need capital.

Actually, the impact it will have on them is not one of bringing on foreign capital. It's a question of will some of them want to sell to a foreign entity? That's a very different issue.

**Mr. Francis Scarpaleggia:** Why is that different?

**Mr. Alek Krstajic:** That goes to some of the questions that other people are bringing up.

**Mr. Francis Scarpaleggia:** But we have the CRTC to regulate the content aspect, and presumably, regardless of who owns Bell—whether they are foreigners or Canadians—they will have to respect the rules of the CRTC with respect to broadcast content. So I don't see the problem.

**Mr. Alek Krstajic:** Well, if you don't, sir, I think that's great. I'm not sure that I see a problem.

What I'm saying is that the rules should be applied.... We should understand what the rules are and we should apply them fairly and evenly for all players in the industry.

**Mr. Francis Scarpaleggia:** My last question is I still don't understand why both companies are really in the same boat in the sense that you're saying you have not had the same benefits as Globalive. You say that with the rules, somehow Globalive has benefitted in a way that you have not been able to benefit from the regulatory regime. I still don't see that. How are you similar, how are you different, and why are you not getting the same treatment as Globalive?

**Mr. Alek Krstajic:** We finished our process with the CRTC, the papers have flown back and forth, and we're waiting for the announcement to come out. We believe we are in compliance. We're waiting for the final, official notification. We don't have to go through a hearing because we didn't have anywhere near the same level of foreign capital.

My issue, sir, is that I was told that I needed to go out and get more Canadian capital. I worked hard to get that Canadian capital. That changed the amount of the company that I own, the terms under which.... It changed the number of board seats and all of those things that come along with an aggressive Canadian investor who says "I'll give you this money, but this is what I want."

My colleagues next to me did not have to do that. They have one fundamental source of funds, Naguib Sawiris, out of Egypt. It's a very different situation.

Had I been able to go out and get foreign capital the way they did, if I ignored the rules, pushed the rules, I might have been in a different situation. Now looking back on it, given that the Conservative government decided to change the laws—which is essentially what they've done—I look at it and say maybe I should have done that. But I followed the rules.

**The Chair:** Thank you very much, Mr. Scarpaleggia. Thank you very much, Mr. Krstajic.

We're going to go now to the last member for our committee today, Mr. Van Kesteren.

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

Thank you for coming, Mr. Krstajic.

Montenegro, is that on the Adriatic Sea, right underneath—

**Mr. Alek Krstajic:** It's right on the Adriatic Sea.

**Mr. Dave Van Kesteren:** Yes.

What does that mean? I'm just curious.

**Mr. Alek Krstajic:** Montenegro?

**Mr. Dave Van Kesteren:** No, your name.

• (1040)

**Mr. Alek Krstajic:** I'm not sure.

**Mr. Dave Van Kesteren:** I have somewhat of an interest in linguistics.

I have to say something to you: I love what you've been saying, and I love your style, but you know, that statement about a “right”, that just blows me out of the water.

**Mr. Alek Krstajic:** Why?

**Mr. Dave Van Kesteren:** Well, you've got to be careful when you start talking that way, because the next thing you know, you'll get governments that will mandate that people have to have cellphones.

I read the other day in the paper that in Europe they've decided that vacations are a right now, too.

But let me just continue. Listen, like you, I'm a fierce defender of the capitalistic system, because I've seen the alternative, and it's not pretty.

You know what? Alexander Graham Bell—the guy who we claim invented the telephone—was incensed when people called him during the day and for any other reason than an actual emergency or something else that was important. We have come a long way. And I'm not saying we've gone in the wrong direction, but things change.

Last week—you're an economist, and I'm glad to hear that—I talked about Adam Smith. I like Adam Smith, because he made it pretty easy to understand. He understood why, or the motivation... you know, who has the most gold. He talked about the baker, and how it was not for his benefit that... But you know all that stuff.

I guess in light of that, I want to ask you, would... I think I know what your answer is going to be, and it's a good answer.

**Mr. Alek Krstajic:** Before I've given it?

**Voices:** Oh, oh!

**Mr. Dave Van Kesteren:** For the most part, you've been straight on the money. I certainly like your style.

If we opened it up to foreign ownership, do you think there really would be a flood of foreign ownership? Would there really be companies like yours that would set up shop?

I understand where you've come from. They're my roots too. You see an opportunity because you know how to take advantage of what larger companies can't take advantage of any more.

In opening up the foreign restrictions, are we going to see a flood—the kind that we see in the fears from the NDP and the Bloc—of foreign ownership?

**Mr. Alek Krstajic:** Look, you won't see a flood that changes the landscape overnight. The reason you won't is that the gating factor on the opportunity is the ability to have a licence. The government still controls auctions, the rules around those auctions, and the licences that are granted.

So I don't think you're going to see a flood. I think what you're going to do, though, is over time allow more capital to flow to entrepreneurial ventures like ours that will ensure our success.

Again, I'm happy to say leave the status quo rules in place, but then leave them in place for me and them and everybody else. All I'm saying is that I want to go on the ice and play with five players against five players. That's it.

Now, the right: I have to just address that. Look, you'll have to forgive my previous gaffe on the conservative thing and the right thing. The right is the concept—not that you mandate it, but that people should have an ability to buy it because it's affordable. That's it.

**Mr. Dave Van Kesteren:** They should have an ability to buy anything, you're absolutely right, and the only system that's going to guarantee that is the capitalistic system.

**Mr. Alek Krstajic:** A 100% free market—I'm with you. I'm with you.

**Mr. Dave Van Kesteren:** Absolutely.

So I caution you when you say things like that, because they're going to pick up on that, and the next thing you know, you're going to have more regulations.

**Mr. Alek Krstajic:** You know what? You've made me realize the error of my ways. I will...

**Mr. Dave Van Kesteren:** The last point I want to make is that, you know, the rules haven't changed. We have a different interpretation, but the rules haven't changed.

I guess the point I'm making is that even though that's the case, you're able to enter this market because we haven't made restrictions, because we haven't made it too hard for you.

You're going to do well, I can tell you that. You're going to do just fine. The ones that won't do fine won't do fine because they just haven't instituted the proper techniques that you've demonstrated you've done.

In closing, I congratulate you. I think you're doing a great job. Keep it up—

**Mr. Alek Krstajic:** Thank you very much.

**Mr. Dave Van Kesteren:** —under the capitalistic system.

**The Chair:** Thank you very much, Mr. Van Kesteren.

I want to thank our witnesses from the two different companies we have in front of us today for appearing here.

We thank you very much for your testimony. It will be helpful for us as we conclude our study on the telecom sector.

Mr. Masse.

**Mr. Brian Masse:** With regard to Mr. Van Kesteren's comments, if the U.S. has universal access rights and also consumer rights, could we maybe get some research on the difference, a comparison between U.S. and Canadian consumer rights? I think it would be beneficial for us, if there's the capability for that.

**The Chair:** We'll get the research analyst to prepare that for all members of the committee.

Mr. McTeague.

**Hon. Dan McTeague:** On that point, I think other nations, Australia in particular, and New Zealand, have the same as well.

Thank you, Chair.

**The Chair:** Thank you, Mr. McTeague.

We'll certainly get that researched and distributed.

I want to thank members of the two different companies for appearing in front of us today. Thank you for your testimony.

We're going to suspend now just for a couple of minutes to allow people to vacate the room, and then we'll return to discuss future committee business.

*[Proceedings continue in camera]*

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