

Standing Committee on Finance (FINA)

Pre-budget consultations 2012

Canadian Wireless Telecommunications Association

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

o Include a recommendation in the Pre-Budget 2013 Report that the Government should set out a timetable for bringing the administrative licence fees paid by Canada's wireless carriers into line with comparable fees paid by wireless carriers in other G7 countries. o Introduce in Budget 2013 a temporary Accelerated Capital Cost Allowance for broadband-network related assets, increasing the current CCA rates of depreciation to 50% for most areas, and to 100% for the hardest and most-expensive-to-serve areas of the country (as identified by Industry Canada); o Extend the coming-into force dates for changes to SR&ED program tax incentive program announced in Budget 2012, to mitigate the impact of those changes on innovative companies whose stock in trade is research and development of products and services that will fuel the digital economy in Canada. o Earmark sufficient funds from upcoming wireless spectrum auctions to contribute to strategic initiatives identified by the Government as priorities in the digital economy (e.g., lawful intercept requirements for telecommunications service providers).

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

Canada's wireless sector is a major driver of economic activity across all sectors of the economy and in all regions of the country. In 2010, wireless communications generated a total economic value of \$43 billion for the Canadian economy. In 2013 Canada and the rest of the world will continue to experience the ubiquitous convergence of the two most important enabling technologies of the 21st century so far: wireless communications and broadband Internet. The result will be – and is already – the enabling of significant productivity and innovation gains across all aspects of the Canadian economy and society. The move to next generation networks is already well underway in Canada, the product of massive and unprecedented private-sector investments in an infrastructure no less critical to Canada's future than investments in railways, roads, bridges, airports and seaways in previous centuries. Government should be looking for ways to reduce and remove policy and regulatory barriers to network investment.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

In 2013 Canada and the rest of the world will continue to experience the ubiquitous convergence of the two most important enabling technologies of the 21st century so far: wireless communications and broadband Internet. The result will be – and is already – the enabling of significant productivity and innovation gains across all aspects of the Canadian economy and society. Since 2008, as other sectors of the economy were retrenching during the recession, wireless carriers were investing: an estimated \$2.5 billion in 2010, on the heels of \$3 billion in 2009, \$1.85 billion in 2008 (and in addition to \$4.25 billion in 2008 AWS auction proceeds — \$4.25 billion that went straight to the Government's consolidated revenue fund). In other words, as other sectors were shedding jobs to stay afloat, the wireless industry was hiring in all regions of the country, while contributing billions directly to the Government's coffers. At the same time, wireless carriers in Canada (and ultimately their customers), have to absorb disproportionately high regulatory costs. These costs act as a drag on the amount of capital available for required network investment and innovation. Pre-Budget 2013 Report should include a recommendation that the Government should set out a time-table for bringing existing administrative spectrum licence fees paid by Canada's wireless carriers into line with the fees paid by wireless carriers in other G7 countries, and that Industry Canada should not introduce excessive administrative licence fees when renewing licences in any bands not currently subject to them.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

Budget 2012 introduced changes to the SR&ED tax incentive program that will significantly reduce the positive economic effects of the tax credit. The changes proposed in Budget 2012 will reduce R&D investments in Canada, and could limit the growth of innovative companies. Rather than creating an advantage for Canadian business, changes to the SR&ED program increase marginal tax rates for R&D investors, reducing the incentive to invest in innovation. The impact of these changes needs to be examined, and at a minimum, the phase-in process must be lengthened to give companies a better chance to plan.