



**CPP
INVESTMENT
BOARD**

Canada Pension Plan Investment Board
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Mr. Lynton Ronald "Red" Wilson, O.C.
Competition Policy Review Panel
280 Albert Street, 10th Floor
Ottawa, ON
K1A 0H5

David F. Denison
President and
Chief Executive Officer

Dear Mr. Wilson:

I am writing in response to your consultation paper on Canada's competition and foreign investment policies, *Sharpening Canada's Competitive Edge*.

In your efforts to provide recommendations to the government on how to enhance Canadian productivity and competitiveness, you have identified a number of issues and questions for consideration. While all those issues and questions are clearly important, we would like to provide input primarily from our perspective as a large Canadian institutional investor with a strong global investment orientation.

As a global investor, the Canada Pension Plan (CPP) Investment Board advocates minimum barriers to the legitimate flow of capital across international borders.

The CPP Investment Board is increasingly aware of formal and informal barriers to international investment erected or being contemplated by some national governments. These measures are intended to impose restrictions either on all foreign investors, or upon certain categories of investors, such as ones deemed to be acting under presumed government influence or those operating within a private equity framework for example.

Indiscriminate restrictions can create an unlevel playing field in those jurisdictions to the detriment of global investors like the CPP Investment Board. We are also concerned that restrictions imposed by individual countries will spawn a series of reciprocal actions by other countries, with the consequence of severely affecting the free flow of capital across borders.

In your consultation paper you note that Canada's own policies should reflect the existing competitive environment typified by fierce competition between national jurisdictions seeking to attract investment capital. We agree with this statement and hope that Canada does not implement measures that will lessen its attractiveness for foreign investment and raise the prospect of reciprocal measures being applied by other countries against Canadian entities.

Introduction to the CPP Investment Board

The CPP Investment Board was created in December 1997 by an Act of Parliament, the *Canada Pension Plan Investment Board Act*. The CPP Investment Board operates independently from the CPP and at arm's length from governments and functions as a professional investment manager in the private sector with strong public sector accountability. The CPP Investment Board operates in accordance with its legislated mandate to invest the assets of the CPP with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the factors that may affect the funding of the CPP and its ability to meet its financial obligations on any given business day.

The CPP is a mandatory contributory defined benefit pension plan operated for the benefit of 17 million Canadians. All Canadian employers and employees, except for those in the Province of Québec, make mandatory contributions to the Plan. CPP Investment Board's assets were valued at \$121.3 billion as at September 30, 2007, and are projected to grow to \$312 billion in 2019.

The CPP Investment Board is accountable to Parliament and to the federal and provincial finance ministers who serve as stewards of the CPP.

The CPP Investment Board as an Investor in Global Markets

Although the CPP Investment Board will always have substantial investments in Canada, we are also an active investor outside of Canada. As of September 30, 2007, more than 44.6% of our asset value was invested outside of the country. This foreign investment includes both publicly traded stocks, private companies, infrastructure and real estate investments.

As part of our diversification and risk management approach, we are investing an increasing proportion of the fund's assets in global markets and hence as the portfolio continues to grow, the proportion of our portfolio invested abroad will also increase.

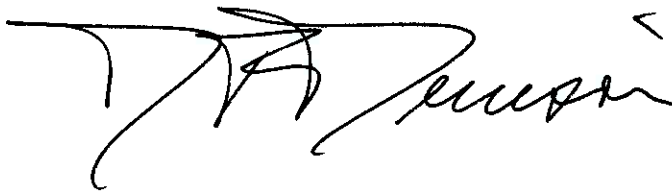
Our global investments in private equity, real estate and infrastructure can have a propensity to attract government attention because of their size and because we are considered a "foreign" investor and sometimes, incorrectly, a "sovereign wealth fund." This attention may lead to undue formal and informal barriers imposed by governments to prevent or discourage an investment in their economy.

Some countries, including Canada, have recently announced measures to ensure investments by state sponsored enterprises like sovereign wealth funds do not negatively affect their domestic economy or security. Even though we have an arm's length governance structure, an "investment only" mandate, segregated assets and high levels of transparency, some governments can confuse us with "sovereign wealth funds." Because of the possibility of this misperception, any Canadian measures that impose restrictions on foreign investment raise the likelihood of reciprocal measures being applied by other countries to the CPP Investment Board and other large public sector Canadian funds.

To reiterate our position, minimum barriers to the free flow of capital across international borders is vital to the CPP Investment Board's ability to fulfill its mandate and in our view, to the long term efficiency and competitiveness of markets. We urge the panel to recommend that Canada not implement measures that will lessen its attractiveness for foreign investment and raise the prospect of reciprocal measures being applied by other countries against Canadian entities.

If you have any further questions, please feel free to contact me or Babak Abbaszadeh, Director Stakeholder Relations, at 416-868-6612 or by email at babak@cppib.ca.

Sincerely,

A handwritten signature in black ink, appearing to read "David F. Denison". The signature is stylized with a large, sweeping initial "D" and "F".

David F. Denison