

The Telecommunications Workers Union

Submission

to the

Competition Policy Review Panel

January 11, 2007

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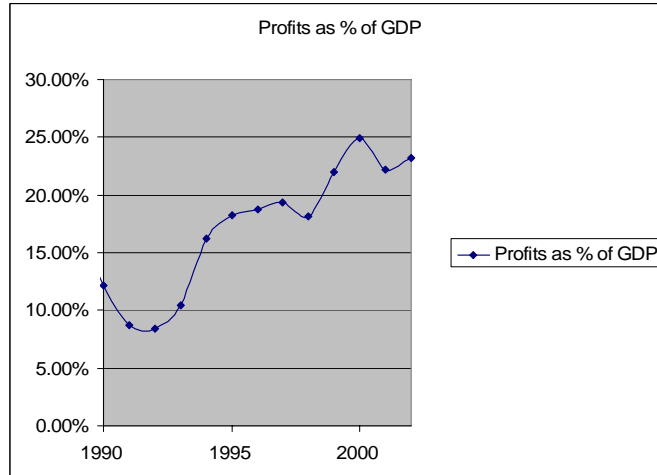
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(Electronic version)

The Telecommunications Workers Union is concerned with the focus of the panel and its framing of the issues, which we believe to be too narrow. In our view, the result is a discussion which ignores concerns shared by the vast majority of Canadians.

In his October 30 speech announcing the release of the consultation paper, committee Chairman L.R. Wilson laid out two priorities: encouraging international investment by Canadians, and positioning Canada to be a world-leading location for talent, capital and innovation. He explained that the panel will focus on investment and competition and that it will seek submissions on the impact our investment review regime has had on the country's competitiveness. The goal of this consultation process, he noted, will be to get advice on changes or amendments to the *Investment Canada Act* that can make treatment of foreign direct investment more effective and to make Canada more competitive. According to the chairman, success will depend on Canada's private sector. As he sees it, the primary role in pursuit of our goals must be played by entrepreneurs, managers and boards of Canada's private sector companies.

The fact is that while globalization, free trade, deregulation and other, similar initiatives have clearly benefited the corporate sector, they have not had a positive impact on Canadians generally. As the following graphs illustrate, wages and salaries have been declining as a percentage of Gross Domestic Product for the past fifteen years, while profits as a share of GDP have increased.



Source: Statistics Canada. Canadian Economic Observer, Historical Statistical Supplement

It is no coincidence that poverty has increased in Canada over the same period.

The discussion paper acknowledges Canadians' concern that increased openness to international trade and investment may jeopardize Canadians' hard-won historical gains. But the paper dismisses those concerns by declaring that "...the goal for Canada should be to make this country the location of choice for the higher-value elements of

these global value chains ... as higher-value productive activity translates into higher wages and salaries, more occupational choice and a better quality of life for Canadians."

The fact is that countries like India have proven capable of providing the workforce for the higher-value *as well as* the lower-value portions of global value chains. The city of Bangalore, for example, has become the capital of India's high tech sector. Workers there are paid a fraction of what their North American and Western European counterparts earn to perform the full range of high end tasks in the area of software design. Similarly, Western legal firms are outsourcing the writing of legal briefs and other services to India. In short, we have no reason to believe that Canada will skim the cream of the world's jobs as international trade and investment play an increasingly dominant role in our economic lives.

Canadians' views of the prevailing economic situation reflect their concerns about what is happening in their lives. In 2006, the Environics Research Group conducted focus groups and a national poll of 2,021 people to test Canadians' views on prevailing economic conditions. Among their findings:

- Sixty-five per cent of those polled believe the rewards from Canada's economic boom have gone to the richest Canadians.
- Fifty-one per cent say that during this boom, their standard of living has either dropped or stayed the same.

- Forty-nine per cent say that they are one or two paycheques away from poverty.

The Save the Children organization compiles an index which ranks 140 countries on measures like mortality of children under the age of five, enrolment in day care, nursery school and secondary school. The group's recent report indicates that Canada's place on that list is dropping rapidly: in the past year this country has dropped from 5th to 25th place on the Children's Index. According to David Morely, Save the Children's president and chief executive officer, "...we are slipping. We have been cutting back on our social programs and we start to see that happening."

Morely notes that while Canada's *economic* indicators have been getting stronger, our *social* indicators have not. In a statement which should be taken as crucial advice to the members of this panel, he declares that "...if we're going to have a discussion in the country, perhaps it should be about what are the indicators that are going to drive us. Is it going to be economic or going to be social? Or how do we get a mix of the two so that we can move forward as a society?" The Telecommunications Workers Union strongly endorses Morely's position.

The author of the panel's discussion paper notes that "Some firms have become multinational, detaching the labour-intensive activities of their operations and relocating them to countries where labour costs are more competitive [i.e. lower]." (Page 6) This is absolutely true. The actions of the TELUS Corporation, with which we are very familiar, provide a case in point. For the past several years, TELUS has been

actively investing in call centres in the Philippines and India, while Canadians and their communities have suffered the loss of well-paying jobs. TELUS's outsourcing of these jobs has served to reduce the employment level in Canada and to undermine service levels at the same time. The *only* beneficiary of this arrangement has been TELUS, which has been able to reduce its wage bill by shifting work overseas.

In addition to the loss of Canadian jobs and the degradation of service caused by these moves, TELUS's transfer of jobs overseas means that the personal information contained in customers' records is being accessed in jurisdictions that lie beyond the protections provided by Canada's privacy laws. If corporations are free to ship such information overseas, it is not clear why Canada would bother having privacy laws at all. More broadly, it is not at all clear why such behaviour should be considered desirable for Canada.

TELUS has chosen to undertake these actions despite the fact that privacy is a major concern for Canadians. Polls show that in 2006, 94 percent of Canadians would be concerned if Canadian companies transferred personal information on customers to companies in other countries. (Office of the Privacy Commissioner of Canada, [*Revisiting the Privacy Landscape a Year Later*](#))

Canadians have good reason to be concerned. Undercover investigations by the CBC investigative program *Dispatches*, cited in the [Canadian Privacy Law Blog](#) have shown that confidential data ranging from driver's licence information, credit card and bank account numbers, passport details and security codes on debit cards can be easily bought and sold in foreign countries. In fact, the practice is

becoming so common that a new term – “data farming” – has been coined to describe it. Data farming describes the unauthorized “harvesting” of personal data to be sold or exchanged for profit.

Canadian concerns are echoed by government bodies in the United States. The Federal Deposit Insurance Corporation released a report entitled “Offshore Outsourcing of Data Services by Insured Institutions and Associated Consumer Privacy Risks” (June 2004). The report lists the legal privacy foundations of countries that are the most likely choices for offshore locations; India, China, Philippines, Singapore and Malaysia. They found that no general data protection laws exist in any of these countries.

To reiterate, it is not sufficient for the panel or the government to focus exclusively on ensuring that corporations do well, assuming that everything else will take care of itself. Experience shows that this is not the case.

There are further manifestations of the problems that globalization poses to Canadians’ privacy and security. For instance, there are currently no prohibitions against corporations transporting Canadians’ financial and medical records across borders, beyond the protection of our privacy laws. It is the view of the Telecommunications Workers Union that increased oversight of the handling of these matters by the Canadian government is an urgent necessity if our privacy is to be protected.

Similarly, Canadian legislation used to require the transmission of calls between points in Canada to be handled by Canadian carriers. As a result of liberalization of the policies governing Canadian communications, that is no

longer the case; calls between Canadians can be and often are routed via the U.S. Clearly this poses a threat to employment in Canada. In addition, however, it has recently been revealed that American telephone companies have cooperated with the U.S. government to spy on American citizens' domestic communications without court warrants. The TWU believes that it should be a priority, therefore, for the Canadian government to regain the ability to regulate communications between Canadians to ensure that the phone calls and e-mails of our citizens and government officials are not subject to surveillance by foreign governments.

In addition to making the protection of Canadians' privacy a priority, the TWU believes that certain industries within the Canadian economy must be considered vital to Canada's national security and that these must be excluded from foreign ownership altogether. Canada and other nations currently face a combination of factors that threaten our national security. As pointed out by the OECD, these factors include the heightened international security situation and the increased influence of countries regarded as having lower standards of corporate behaviour and openness to foreign investment than those of OECD countries (OECD Roundtable on Freedom of Investment, National Security and "Strategic" Industries. Summary of the Discussions. Paris, 6 December 2006.) Canada has protected strategic industries in the past and the TWU believes that these industries should be protected in the future.

The TWU is not alone in believing that there are certain industries which must be excluded from foreign ownership. For example, the United States government has taken action on this issue, blocking foreign takeovers of the Unocal, Global Crossing and P&O American ports companies. Furthermore, the TWU's concerns on this issue are shared by the Canadian public. [A poll](#)

[commissioned by the CBC](#) and released December 5, 2007 shows that Canadians' concerns parallel those of the TWU. The poll showed that 61 percent of Canadians oppose foreign ownership of telephone companies, 57 percent oppose foreign control of cable firms and 59 percent oppose foreign ownership of media companies.

Many countries have legislation regulating foreign ownership in place. Both France and Germany have "negative lists" which restrict foreign investors' access to certain sectors and activities; the U.S. has a Committee on Foreign Investment (CFIUS); and China has a screening requirement on mergers involving foreign investors that could have an impact on national economic security.

It is our view that achieving sufficient levels of Canadian content in our broadcast and print media cannot be left to the workings of the market. Allowing the market to determine the content on our airwaves and in our newspapers and magazines will mean that American media giants simply flood them with materials created for the domestic market in the U.S. – a market that is ten times the size of Canada's. In other words, if we are to have Canadian content on our airwaves, positive action on the part of the government will be required. The one thing we definitely do *not* need is increased foreign access to and ownership of our media.

Historically, there were few if any instances where the market was allowed to determine a country's fundamental economic priorities. Despite the prevailing rhetoric on this subject, governments in countries like Japan, Britain and the United States have always played an active role in getting their respective industrial sectors off the ground and in ensuring that they were not threatened by more powerful foreign competitors. Even today,

despite their commitment to free trade and enhancing the freedom of market forces, these governments are highly selective when it comes to applying these principles. The reality is that these governments continue to play an active role in nurturing their corporations and protecting them from foreign competitors.

On the issue of foreign ownership generally, we believe that it cannot simply be endorsed *holus bolus*. It is the view of the Telecommunications Workers Union that when situations involving a potential increase in foreign ownership of Canadian companies arise, the government must look at whether the proposed increase in foreign ownership is occurring in a strategic industry. If that is found to be the case, such takeovers should be rejected out of hand. For industries that are deemed to be non-strategic, Canada should enact legislation that enshrines the principle that Canadians must benefit from any potential change.

Conclusion

The Telecommunications Workers Union believes that foreign-controlled companies should not be permitted to gain control of strategic industries like telecommunications, broadcasting and the media in Canada. Regardless of the panel's findings on that matter, it is our view that Canadians' concerns about the threat that foreign companies' access to sensitive Canadian information poses to individuals' privacy as well as the country's sovereignty and national security must be addressed.

It is the view of the Telecommunications Workers Union that if the panel does not address the following issues, the existing problems caused by globalization can only get worse:

- As an overriding principle, the panel should be guided in its deliberations by a concern for what is in the best interest of *all* Canadians.
- The panel should not advocate steps which compromise Canadian sovereignty or our human rights.
- The panel must take into account the negative effects on workers caused by decisions generated by increased foreign investment and deal with these through proposals for strong, focused action.
- The panel must treat the survival and longterm vitality of Canadian culture as a desirable goal and protect it through government action.

