

**Industry Canada Consultation on
Opening Canada's Doors to Foreign Investment in
Telecommunications:
Options for Reform**

**Comments
of
Bell Canada**

30 July 2010

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1.0 **SUMMARY**

1. Bell Canada (Bell or the Company) is pleased to file these comments on options for reform of Canada's foreign ownership rules applicable to the communications sector.

2. Bell is Canada's largest and most integrated communications company:

- We operate coast to coast in each of the wireless, TV distribution, Internet, fixed line voice and data markets.
- Our customers cut across each of the residential, business and wholesale markets.
- With approximately 50,000 employees and 22 million customer connections Bell delivers state-of-the-art communications services to business and residential customers across Canada.
- Our stock is one of the most widely held stocks in Canada, with Canadians holding it as an important component of their investment and retirement savings through pension plans, RRSPs, and the like.
- Bell's approximately \$3 billion in annual capital investments, in both rural and urban markets, is greater than any other Canadian company outside of the oil and gas industry.
- At approximately \$1 billion annually, our spending on research and development (R&D) ranks us as one of the largest investors in innovation in Canada.

3. These sustained investments in capital and R&D have allowed Bell to transform itself from a regional telephone company into a national communications and Information and Communications Technologies (ICT) solutions provider.

4. The appropriate public policy regarding foreign ownership of the telecommunications industry is a complex and difficult one. We understand that the Government has indicated an intention to liberalize our foreign ownership restrictions. We question the false premises that we believe are driving this consultation, i.e., that Canada lags behind other nations when it comes

to communications and ICT and that liberalized foreign ownership rules would lead to greater competition, lower prices, better access to capital and more innovation.

5. The simple fact is that on network coverage, network speeds, investment, rollout of next generation wireline and wireless networks and, yes, even price, Canada compares favourably internationally. Without any doubt, Canada comes out ahead of the U.S. in a head-to-head comparison between the two countries' wireless technology, network deployment, geographic coverage and speed. If Canada's main wireless carriers were owned by U.S. communications companies today, Canada would not now be able to make this claim. Canada should be justifiably proud of our leading telecommunications industry relative to the U.S. and, indeed, the world.

6. Simply put, there is no demonstrated need for reform.

7. Another false premise which guides this consultation is that telecom ownership can be dealt with surgically, in isolation from broadcasting. It cannot. Those who believe it ignore the fact that Canada's telecommunications industry consists of highly converged companies, like Bell, TELUS Communications Company (TELUS), Rogers Communications Inc. (Rogers), Videotron Ltd. (Videotron), Shaw Telecom Inc. (Shaw), Cogeco Cable Inc. (Cogeco), MTS Allstream Inc. (MTS Allstream), Saskatchewan Telecommunications (SaskTel), and Eastlink Telephone (Eastlink), each of which uses the very same network to provide not only telecom services, such as local and long-distance voice telephony and data services such as Internet access, but also licensed TV distribution services.

8. The measures embodied in Reform Options 2 and 3 set out in the Consultation Document, that would asymmetrically remove limits on foreign investment and control by non-Canadians in telecommunications common carriers (TCCs), without replicating them for broadcasting licensees, would have little practical effect for these converged carriers. Disentangling their licensed broadcast businesses from their telecom operations to place themselves on an equal footing with pure-play telecom new entrants when it comes to foreign ownership, would be an operational nightmare. Not to mention that it would risk losing valuable operating efficiencies and economies of scale and scope that benefit the economy and all Canadians. Thus, implementing Reform Options 2 or 3 would result in no new foreign investment flexibility for TCCs like Bell, TELUS, Rogers, Shaw, Videotron, Cogeco, MTS Allstream, SaskTel and Eastlink. Instead, in effect, they would only benefit pure-play new

entrant TCCs like Globalive Wireless Management Corp. (Wind Mobile), Mobilicity and Public Mobile Inc. and subsequent pure-play foreign-controlled new entrants.

9. Government regulation should not dictate industry outcomes that run contrary to technological and operational evolution. Virtually every major industrialized country reaps the efficiencies, and economies of scale and scope associated with converged communications industries. Public policy must surely respect this.

10. Therefore, regulatory "symmetry", which is just another way of saying that all TCCs - be they large, small, incumbents, new entrants, integrated with broadcasting operations, or "pure-play" TCCs only - must be treated equally, be it in respect of foreign ownership rules or otherwise. Symmetry needs to be a foundational principle of reform, to the extent reform is required at all. Reform Options 2 and 3 fail this foundational symmetry requirement and on this basis alone, must be rejected.

11. The negative unintended consequences to Canadians and to our world class communications industry that would result from Reform Options 2 and 3 only serve to confirm they are not viable reform measures. The list of unintended consequences flowing from Reform Options 2 and 3 is as serious as it is long:

- Urban fortification by current Canadian service providers and associated rural abandonment resulting in a magnification of the urban-rural digital and ICT divide;
- Slower rollout of next generation digital infrastructure in areas outside the major urban cores, resulting in diminished Canadian competitiveness and productivity for all businesses based outside these urban cores;
- No apparent trade reciprocity for Canada in return. For example, it is appropriate to ask what the *quid pro quo* advantage to Canada and Canadian investors would be in exchange for opening our communications industry to foreign ownership and control. In return for removing the barriers that would enable Canada's oldest and largest common carrier, Bell, to be acquired, would our largest and most significant trading partner, the U.S., ever seriously allow one of the gems of its communications industry to be acquired by Canadians?;

- Flight of head offices abroad and a resultant loss of "made in Canada" decision-making; and
- Dampening of new technological introduction into Canada.

12. In the circumstances, we believe sound public policy makes it critical that we ask who will benefit from Reform Options 2 and 3? The answer, as shown in Table 1 below, is only new entrant pure-play telecom providers, such as Wind Mobile, Mobilicity and Public Mobile Inc. (and subsequent new non-Canadian pure-play TCC investors). Thus, implementing Reform Options 2 or 3 would result in no new foreign investment flexibility for integrated TCCs like Bell, TELUS, Rogers, Shaw, Videotron, Cogeco, MTS Allstream, SaskTel and Eastlink.

13. And the new entrant TCCs have already benefitted greatly from a number of special one-time asymmetrical Government measures to facilitate new entrant market entry. These include: setting aside almost half of the available spectrum in the 2008 AWS auction exclusively to new entrants, mandated tower sharing and mandated roaming for new entrants. Adopting Reform Options 2 or 3 would be a further, retrograde step, moving beyond mere "one-time" favoured measures, to the enactment of foundational legislation relating to ownership eligibility for the telecommunications industry for years to come.

Table 1
Practical Implications of the 3 Reform Options

Options	Who Qualifies
Option 1 Allow Non-Canadian ownership in TCCs and Broadcasters up to 49%	Everyone
Option 2 Allow unlimited Non-Canadian ownership & control in Small TCCs (under 10% of market)	Everyone except: Bell, Bell Aliant, TELUS, SaskTel, MTS Allstream, Rogers, Shaw, Videotron, Cogeco and Eastlink
Option 3 Allow unlimited Non-Canadian ownership & control of all TCCs	Everyone except: Bell, Bell Aliant, TELUS, SaskTel, MTS Allstream, Rogers, Shaw, Videotron, Cogeco and Eastlink

14. As can be seen from Table 1, in practice, Reform Options 2 and 3 will only benefit pure-play TCC entrants, like Wind Mobile, Mobilicity and Public Mobile Inc., at the expense of the converged and fully integrated carriers. It is for all of the above reasons: the many negative unintended consequences, the undermining of convergence, and the skewed group of TCCs

that would benefit, that any reasonable cost-benefit analysis leads to the conclusion that, to the extent any reform is justified, Reform Option 1 is the only viable option.

2.0 A SOLUTION LOOKING FOR A PROBLEM

15. The 3 March 2010 Speech from the Throne announced the Government's intention to "open Canada's doors further to venture capital and to foreign investment in key sectors, including the satellite and telecommunications industries." The objective was said to be "giving Canadian firms access to the funds and expertise they need".¹ The 2010 Federal Budget followed with the statement: "The Government of Canada is committed to ensuring that Canadians can benefit from increased competition and investment in the telecommunications sector, which will lead to greater innovation and lower prices for consumers. Increasing foreign investment is an important way of strengthening market competition and attracting new capital and innovative ideas from abroad."²

16. The statements in the Throne Speech and Federal Budget imply that Canadian TCCs are failing to attract sufficient investment and expertise and that our industry is falling behind in terms of technology, investment and innovation. On closer examination, the evidence is quite to the contrary. Canada is not falling behind in telecommunications. Making wide-ranging changes to long-standing foreign ownership rules and policies is far too important to be based on mere speculation and ill-defined impressions. What is required is a fact-based assessment.

17. The evidence supports the view that Canada's digital infrastructure is a national strength upon which to build a successful digital economy. For example, with respect to wireline broadband services, even though Canada has the lowest population density in the G8 and second lowest in the G20,³ the CRTC's 2010 Communications Monitoring Report finds that 95% of Canadian households have broadband access.⁴ In terms of speed, Akamai, a global leader in the provision of Internet networking services to businesses,⁵ found that Canada has among the highest actual (as opposed to advertised) download speeds in the world – second in the G8

¹ 2010 Speech from the Throne, available on line at: <http://www.speech.gc.ca/eng/index.asp> at page 7.

² Budget 2010: Leading the Way on Jobs and Growth, section 3.3, available on line at: <http://www.budget.gc.ca/2010/plan/toc-tdm-eng.html>.

³ Population density is equal to the total population divided by the total land mass in square kilometres. Data from the CIA World Fact Book available at <https://www.cia.gov/library/publications/the-world-factbook/index.html>.

⁴ *CRTC Communications Monitoring Report 2010*, page 137, available at <http://www.crtc.gc.ca/eng/publications3.htm>.

⁵ According to Akamai's website, its equipment delivers up to 15-20% of the traffic on the World Wide Web on any given day. It counts among its customers, companies like Audi, NBC, and Fujitsu, and organizations like the U.S. Department of Defense and NASDAQ.

and third in the G20.⁶ In terms of price, a recent analysis by Wall Communications Inc. for the CRTC found that Canada's wireline broadband service prices compare favourably to those of other countries.⁷ Attachment 1 to these Comments, entitled *Canadian Wireline Broadband Market Facts*, provides additional data confirming that Canada's wireline infrastructure compares very favourably in terms of bandwidth, customer access, speed, and price with other countries.

18. In terms of wireless services, 3G Americas, an international wireless industry group, found that Canada is one of only two countries in the G20 to have three of the most advanced wireless networks available; those employing High-Speed Packet Access (HSPA+).⁸ These networks provide more than 93% of Canadians with wireless broadband at speeds up to 21 megabits per second (Mbps). Bell Mobility's wireless network is far superior to that of AT&T, said to be the top performing U.S. wireless network,⁹ to the extent Bell Mobility's has been engineered to run almost three times as fast, providing peak data download speeds of 21 Mbps, whereas AT&T's is designed to provide just 7.2 Mbps.¹⁰

19. A recent article in the *National Post*¹¹ newspaper reported that Canada's wireless providers have done far better than their U.S. counterparts in investing for the coming explosion of wireless data. Mark Henderson, Chief Executive of wireless equipment maker Ericsson Canada, is quoted in the report as follows: "I think Canadian carriers have done a great job of keeping up with some of the most advanced data networks you see today. We're world class at this point." Greg MacDonald, a telecom analyst at National Bank Financial is also quoted in the story as follows: "We have high penetration of data at attractive rates. And for a country of this size, the coverage we have is phenomenal."

⁶ Akamai, 1st Quarter, 2010 *The State of the Internet Report*, available at <http://www.akamai.com/stateoftheinternet/>. Unlike other international comparisons which use advertised speeds, Akamai uses its globally-deployed server network and the billions of requests for web content that it services on a daily basis to determine download speeds.

⁷ Wall Communications Inc., *Price Comparisons of Wireline, Wireless and Internet Services in Canada and with Foreign Jurisdictions: 2010 Update*, 16 April 2010 (Wall Report), available at http://www.crtc.gc.ca/PartVII/eng/2009/8663/c12_200907321.htm.

⁸ 3G Americas, available at <http://www.3gamericas.org/index.cfm?fuseaction=page&pageid=939>.

⁹ See: http://www.pcworld.com/article/189592/atandt_roars_back_in_pcworlds_second_3g_wireless_performance_test.html.

¹⁰ Please see AT&T News release: "AT&T Upgrades 3G Technology at Cell Sites Across Nation. Available online at: <http://www.att.com/gen/press-room?pid=4800&cdvn=news&newsarticleid=30358>.

¹¹ *Are we ready for the data tsunami?* Friday 10 July 2010 National Post. Available online at: <http://www.financialpost.com/ready+data+tsunami/3258593/story.html>.

20. This conclusion was echoed in a similar earlier story that appeared in the *Financial Post*.¹² "...there is a lingering perception (perhaps based on now-dated studies) that Rogers, Bell Canada and TELUS provide somehow inferior wireless services relative to carriers in other countries. That is simply no longer true."

21. Bank of America Merrill Lynch found that Canada's wireless service revenues as a percentage of GDP (a measure of affordability) is the second lowest in both the G8 and the G20,¹³ while Bell and Rogers have lower priced data plans for Apple's iPad than U.S.-based service providers and some of the lowest announced to date in the entire world.¹⁴ Similarly, the Wall Communications Inc. analysis for the CRTC found that Canada's wireless service prices compare favourably to other countries.¹⁵ Attachment 2 to these Comments, entitled *Canadian Wireless Market Facts*, provides additional data confirming that Canada's wireless infrastructure and service prices also rank competitively relative to those of other countries.

22. These Canadian successes led the Standing Senate Committee on Transport and Communications to state in their June 2010 report entitled *Plan for a Digital Canada* (the Senate Committee Report), that it was pleased with the increasing competitive intensity in Canada's wireless sector:

While conducting its study, the committee saw the introduction – seemingly weekly – of a new smart phone, targeting the iPhone or the BlackBerry or both. In 2008, 21% of cell phone handset sales in Canada were for smart phones, up from 12% in 2007. On April 3, 2010 Apple released in the United States the basic Wi-Fi version of its iPad, a tablet computer, and one of the most anticipated and hyped electronic devices in years. On April 30, 2010, Apple released the iPad with 3G wireless connectivity. By May 3, 2010 a million iPads had been sold in the United States. The iPad finally became available in Canada on May 28, 2010.

Not only were there newer telecommunications devices and applications to change the landscape, but the structure of the wireless industry in Canada also changed.

...

¹² "US Wireless carriers playing catch-up to Canada", 2 July 2010 *Financial Post*. Available online at: <http://business.financialpost.com/2010/07/02/fp-tech-desk-us-wireless-carriers-playing-network-catch-up-to-canada/>.

¹³ Mobile service revenue as a percentage of GDP is equal to total service revenue divided by total GDP. Service revenues include monthly service charges and usage fees, roaming, long-distance, and subscriptions to mobile data services. Bank of America Merrill Lynch, *Global Wireless Matrix 2Q10*.

¹⁴ Bank of America Merrill Lynch, *Canadian iPad pricing: Why it matters*, Chart 3, 7 June 2010.

¹⁵ Wall Communications Inc., *Price Comparisons of Wireline, Wireless and Internet Services in Canada and with Foreign Jurisdictions: 2010 Update*, 16 April 2010 (Wall Report), available at http://www.crtc.gc.ca/PartVII/eng/2009/8663/c12_200907321.htm.

When the committee began its study, the one statistic of the wireless sector that stood out was the proportion of the Canadian population covered by 3G networks; this coverage, based on end of 2007 data was 78%. From the perspective of most committee members, this meant that 22% of Canadians – about seven and a half million Canadians – could not take advantage of smart phones. This was a digital divide that called for some explanation. In August 2009, however, the CRTC released its *Communications Monitoring Report 2009*, which showed that 3G coverage had increased to 91%.

...

Before November 2009, Rogers was the only wireless service provider in Canada operating on the GSM network; Bell and TELUS operated on the CDMA network. After November 2009 and the roll-out of a competing GSM/HSPA network, all the dominant players in the Canadian wireless market could compete for GSM-compatible devices. Having head-to-head-to-head competition among the three dominant wireless service providers in Canada is good for domestic consumers, or would-be consumers, of GSM devices. There is another advantage to having Bell and TELUS able to offer GSM devices. Handset manufacturers outside Canada now see a market that is about three times larger than it was, so they are more inclined to make their devices available sooner in Canada.

...

In short, while this study was in progress, the committee saw the introduction of numerous demand-shifting products and applications, a change in the structure of the domestic wireless market and a more explicit focus on the digital economy by the government."^{16, 17}

23. These successes highlight the fact that Canada is a leader not a laggard. This is demonstrated in Attachment 3. For its part, Bell has been leading the industry by aggressively investing in next generation broadband networks. In 2009, we launched the above-mentioned world-leading HSPA+ wireless network which reaches approximately 93% of Canadians. Bell's HSPA+ network provides the fastest wireless service in the country with broadband speeds up to 21 Mbps. These wireless broadband capabilities enable Bell to offer rural customers innovative services like the *Turbo Hub*, which connects up to 15 Internet devices in one location with download speeds of up to 7.2 Mbps and upload speeds of up to 5.7 Mbps.

24. Bell has also been building wireline fibre-to-the-node broadband infrastructure to deliver Internet service speeds of 25 Mbps and above. By 2012, Bell will be able to serve 5 million

¹⁶ Senate Report pages 9 to 11.

¹⁷ The CRTC's latest *Communications Monitoring Report*, issued on July 29, 2010, indicates (at page 153) that the advanced wireless network that supports handsets, such as smartphones and turbo sticks, is available to 96% of Canadians.

homes in Ontario and Québec on this network. Very recently, Bell began to further augment its wireline broadband capabilities by rolling-out fibre-to-the-home in all new developments in Ontario and Québec and to all homes in Québec City.¹⁸ Bell's fibre-to-the-home program will provide broadband speeds of up to 100 Mbps to 10% to 15% of Bell's customers by 2012. Within three years, 80% of households in Bell's Ontario and Québec territories will have access to next generation broadband through either fibre-to-the-node or fibre-to-the-home service.

25. This broadband infrastructure will not only support the roll-out of more bandwidth-intensive digital media, it is allowing Bell to launch a new, innovative Internet Protocol television service (IPTV), initially in core urban areas in Toronto and Montréal. With the launch of Bell's IPTV service, consumers will get a truly differentiated and better television experience, as well as another competitive choice where cable companies have traditionally been dominant.

26. It's important to note that ever increasing numbers of Canadians are embracing broadband technologies. A July 29, 2010 CRTC news release issued along with the Commission's 2010 Communications Monitoring Report states:

As technological convergence continues to evolve in the 21st century, Canadians are increasingly using mobile and Internet services to communicate and access broadcasting content. By the end of the year, there were 23.8 million wireless subscribers and 8.3 million broadband Internet subscribers.¹⁹

27. In an industry where change is so rapid on so many fronts, it is understandable that there would be data inconsistencies and concerns about data validity when attempting to rank Canada's communications and ICT performance relative to other industrialized countries. Measurement of service prices, network and service capabilities is particularly challenging because these shift quickly and dramatically, and it is notoriously difficult to obtain like-for-like international comparisons. Furthermore, it is common to refer to country rankings as a convenient way to summarize a country's performance, even though such rankings can be misleading.

28. It would be highly inappropriate, not to mention risky in the extreme, to make fundamental changes to Canadian public policy based on outdated and flawed international

¹⁸ Bell Aliant is deploying fibre-to-the-home in Fredericton, St. John and several other communities in New Brunswick, as well as in Sydney, Nova Scotia.

¹⁹ "CRTC issues annual report on the communications industry", July 29, 2010 available online at: <http://www.crtc.gc.ca/eng/com100/2010/r100729.htm>

telecommunications comparisons, such as those embodied in the Berkman Centre study²⁰ and recent OECD rankings.

29. Leonard Waverman and Kalyan Dasgupta in an essay in *The Globe & Mail* note that poorly constructed international comparisons can lead to poor public policy:

Yet many of the vogueish comparisons between North America and Europe (which is often held up as a pacesetter) are really comparisons between apples and oranges. Economists with extensive practical experience of telecommunications regulation have already rebutted the Berkman Center report that harshly assessed Canadian broadband performance, but it is also worth pointing out how much room for interpretation there is in broadband comparisons.

...

Canada and the United States share the benefits of having robust cable and telephone networks across the country. As for wireless space [sic], Canada is likely to see four or even five national competitors, where most similarly sized countries have only three consequential competitors. Thus the prospects for competition among cable, telephone and wireless firms in Canada are remarkably good.

...

International comparisons almost always suffer from limited data and limited comparability, particularly comparisons of prices and speeds. This is why great humility and caution are required in drawing policy conclusions from such comparative data. Regulation curtails economic freedom, which is why a very high standard of evidence is required to justify regulation.²¹ (Emphasis added)

30. With respect to the Government's additional concern over the ability of Canadian TCCs to access investment, it bears mentioning that in the wake of the Governor in Council's revision of the Globalive decision, TCCs are seemingly free to source up to 99% of their debt financing

²⁰ The Berkman Centre for Internet & Society report titled "Next Generation Connectivity: A review of broadband Internet transitions and policy from around the world" relies significantly on data provided by the OECD. However, in a report by Mark H. Goldberg & Associates Inc. and Giganomics Inc. titled "Lagging or leading? The state of Canada's broadband infrastructure (available at <http://www.gstconferences.com/LagOrLead.pdf>) noted that the underlying sampling methodology and input data were flawed and did not represent the Canadian market. As a result, the rankings produced by the OECD are inaccurate. Moreover, George S. Ford, Chief Economist for the Phoenix Center for Advanced Legal & Economic Public Policy Studies, in a recent report titled "Fabricating a Broadband Crisis? More Evidence on the Misleading Inferences from the OECD Rankings" (available at <http://www.phoenix-center.org/perspectives/Perspective10-05Final.pdf>) provides evidence demonstrating the illegitimacy of the OECD's per-capita broadband rankings as a reliable measure of relative performance for broadband adoption and the general weakness of rankings data of any sort.

²¹ Leonard Waverman and Kalyan Dasgupta, "Canada and broadband: When 'behind' is actually ahead," *Globe & Mail*, (Saturday print edition, published Friday), 5 March 2010. <http://www.theglobeandmail.com/news/opinions/canada-and-broadband-when-behind-is-actually-ahead/article1491778/>.

and 65% of their equity financing from non-Canadians without jeopardizing compliance with the existing Canadian control-in-fact test. The fact that Public Mobile Inc. recently announced a \$350 million financing arrangement with the Export-Import Company of China only serves to underscore the fact that Canadian TCCs do not appear to be having difficulty accessing investment.

31. As Canada is among the world leaders in terms of recognized network infrastructure, the introduction of innovative products and services and price indicators, and since Canadian firms continue to have access to financing from foreign investors, it is not clear what problem this Consultation is intended to solve. Accordingly, the Government should not implement fundamental changes to foreign ownership rules based on ill-defined problems, particularly changes such as those embodied in Reform Options 2 and 3, which as explained below, will harm the Canadian companies providing the bulk of the investment, innovation and jobs in the Canadian communications industry and ultimately undermine the Government's goal of eliminating the rural-urban digital and ICT divide in the medium and longer term.

3.0 THE THREE REFORM OPTIONS UNDER CONSIDERATION

32. The Consultation Paper requests comments on three Reform Options. Reform Option 3 would completely repeal section 16 of the *Telecommunications Act* for all facilities-based TCCs. All TCCs, regardless of their size, incumbency, capitalization, revenues, or share of the Canadian telecommunications market, would be free to have non-Canadians own up to 100% of their voting and non-voting equity, directly (or indirectly through a holding company (Holdco)). Non-Canadians would also be free to acquire "control-in-fact" over a TCC. However, under Option 3, all the existing foreign ownership restrictions now applicable to broadcasting licensees under the *Broadcasting Act* would continue to apply in respect of businesses they operate under Commission-issued broadcasting licenses. The current foreign ownership rules for TCCs are largely mirrored for broadcasting licensees under a binding Governor in Council direction to the Commission known as *Direction to the CRTC (Ineligibility of Non-Canadians)*.²² Thus, the integrated carriers, who are TCCs under the *Telecommunications Act* and who also operate licensed broadcasting undertakings - e.g., cable and satellite operations or over-the-air, specialty and pay-per-view programming undertakings - would all continue to be subject to the current broadcasting foreign ownership rules limiting non-Canadian ownership to a maximum of

²² SOR 97-192, April 8 1997, *Canada Gazette Part II*, p. 1222, Order in Council P.C. 1997-486, April 8, 1997. See: <http://laws.justice.gc.ca/en/showtdm/cr/SOR-97-192>.

20% direct voting equity and 33 1/3% indirect voting equity through a Holdco that owns the operating company TCC. Broadcasting licensees would also continue to have to be controlled in fact by Canadians; otherwise the Commission would be prohibited from issuing, amending or renewing their broadcasting licenses. From a practical standpoint, this means that Bell, TELUS, Rogers, Shaw, Vidéotron, MTS Allstream, Cogeco, SaskTel and Eastlink would effectively continue to be governed by the *status quo*.

33. To say these TCCs always have the flexibility to spin off their broadcasting undertakings would be to take a naïve and dangerous path, as this is simply not the way of the future, either in Canada or in any other major industrialized country.

34. Reform Option 2 would amend section 16 of the *Telecommunications Act* only for TCCs with less than 10% of total annual Canadian telecommunications market revenues, who would be exempted from the Canadian ownership thresholds and the associated requirement for control-in-fact by Canadians. Under Option 2, those foreign-controlled TCCs whose annual telecommunications revenues grew from less than 10% to more than 10% of total Canadian telecommunications market revenues would be "grandfathered" and exempted in perpetuity from the existing foreign ownership rules. As explained below, the only three TCCs who would remain subject, on paper, to today's rules would be Bell, TELUS and Rogers. Every other existing and future TCC would be able to consider maximizing ownership and control by non-Canadians up to 100%, creating an unlevel playing field amongst industry players.

35. Significantly, and in sharp contrast with the proposals of the *Compete to Win* Wilson Panel Report²³ on Competition Policy and the Telecom Policy Review Panel (TPRP)²⁴, Reform Option 2 contains no sunset period, after which, following a review, all TCCs would be subject to symmetrical rules, including as they relate to the broadcasting restrictions. In this regard, the Wilson Report proposed a 5 year period, following which the "10% rule" would disappear and all TCCs and licensed broadcasting distribution undertaking (BDUs) would no longer be subject to any foreign ownership and control restrictions.

²³ See: *Compete to Win*, Final Report – June 2008, Competition Policy Review Panel at page 49. Available online at: http://www.ic.gc.ca/eic/site/cprp-gepmc.nsf/eng/h_00040.html. The Wilson Panel Report states: "In the first phase, for a period of five years, foreign investment would be permitted on a Greenfield basis or by acquiring an incumbent Canadian telecom company with a market share of 10 percent or less. In a second phase, beginning at the end of the five-year period, there would be a broader liberalization of the foreign investment rules both for both telecommunications and broadcasting. With respect to broadcasting distribution, in this second phase, liberalization would apply to the carriage side of broadcasting distribution, while broadcasting policies would focus any necessary Canadian ownership restrictions on "content."

²⁴ See TPRP Final Report, pages 11-25 to 11-26.

36. Reform Option 1 would amend section 16(3)(b) of the *Telecommunications Act* to enable up to 49% of a TCC's voting shares to be owned by non-Canadians. Reform Option 1 would also identically amend the definition of a "qualified corporation" in the *Direction to the CRTC (Ineligibility of Non-Canadians)* to enable a company to be qualified to hold a broadcasting license so long as at least 51% of its voting shares are owned by Canadians. Reform Option 1 would retain the requirement that TCCs and broadcasting licensees continue to be controlled-in-fact by Canadians. Bell interprets Option 1 to mean that the total combined direct and or indirect non-Canadian voting limits in TCCs and broadcasting licensees would increase to 49% with the requirement for no "control-in-fact" by non-Canadians remaining in effect.

37. Some parties have advocated reform options beyond the three in the Consultation Paper. Bell is restricting these comments to the three listed Reform Options, on the basis that these are the only options under consideration.

38. As detailed below, we believe that to the extent any reform is required, which is not justified based on the evidence as reviewed above, Reform Option 1, discussed in Section 6.0, is the only viable option and is clearly far superior to Options 2 and 3, discussed in Section 4.0 immediately below. Only Reform Option 1 is symmetrical in treating alike all TCCs and broadcasting carriers, large and small. Regulatory symmetry must be a foundational principle going forward.

4.0 SYMMETRY MUST BE A GUIDING PRINCIPLE

39. Bell submits that an overriding principle that must guide the Government in this Consultation is that the same foreign ownership rules should apply to all TCCs and broadcasters in the communications industry, regardless of their size, capitalization, market share or status as incumbents or new entrants. Reform Options 2 and 3 both fail miserably when it comes to compliance with symmetry for the reasons set out below and can and should be rejected on this basis.

40. There are several key reasons why symmetry must continue to be a cornerstone of any new foreign ownership regime. First, the Canadian communications industry is highly converged. Telephone companies compete with cable companies in the delivery of voice telephony, Internet and TV distribution services, not to mention wireless services, and many industry players are also involved in the content side of the business as licensees of over-the-

air, specialty and pay programming services. Put simply, the way of the future is more and more voice, data, video, including television provided over the same converged wireline and wireless networks. Few countries can boast such highly developed facilities-based competition between telephony, cable and wireless delivery platforms as Canada. Technological evolution and operational efficiencies are leading us inexorably to a future of true convergence. Governments should be loathe to adopt regulatory measures, such as embodied in Reform Options 2 and 3 that fly in the face of these developments.

41. Second, symmetry has long been a cornerstone of government policy. Dating as far back as the 1970s, Canada was a visionary in establishing a single national regulator, the CRTC, to supervise regulation of both the telephone and broadcasting industries. It has been official government policy to promote competition between telephone and cable companies in the delivery of voice, data and television services since the *Convergence Policy Statement* was issued by the Federal Government on August 6, 1996. Symmetry continues to be a pillar of communications policy, as evidenced by the Governor in Council's recent Telecom Policy Direction to the CRTC.²⁵

42. Alignment with our major trading partners is a third key reason to promote symmetry. The U.S., our most significant trading partner, incorporates a general level of symmetry in its foreign ownership rules for telecommunications and broadcasting common carriers.²⁶ The UK, Germany and Italy, also significant Canadian trading partners in terms of trade value, apply symmetrical ownership rules to their telecommunications and broadcast industries. It would be illogical for us not to do the same. The TPRP recognized this point, stating: "The Panel believes, as Canada's major trading partners and the majority of OECD countries have recognized, that the increased convergence of wireless and wireline telecommunications and broadcasting technologies calls for a more consistent and unified regulatory approach."²⁷

²⁵ See: Telecom Policy Direction sections 1(b)(iii) and (iv).

²⁶ The Federal Communications Act prohibits a foreign person or entity from holding more than a 20% direct interest or more than a 20% non-controlling, indirect interest in a telecommunications service provider or more than 25% of an entity that controls such a provider (although this can be waived in some circumstances). Communications Act 1934, section 310(b)(3) is non-discretionary, and prohibits foreign governments, individuals and corporations from directly owning more than 20% of the stock of a broadcast, common carrier, or aeronautical radio station licensee. This section also applies in situations where a foreign entity holds equity or voting interests in a licensee through an intervening domestically organized holding company that itself holds non-controlling interests in the licensee. Section 310(b)(4) establishes a 25% benchmark for indirect investment by foreign individuals, corporations and governments in entities that control a broadcast, common carrier, or aeronautical radio station license, and also gives the FCC discretion to allow higher levels of foreign ownership unless it finds that such ownership is inconsistent with the public interest. The FCC gives preference to foreign investments by WTO Member countries.

²⁷ TPRP at page 5-24.

43. Economics provides yet further support for symmetrical treatment of converged operators. It is well understood that symmetrical treatment leads to efficiency whereas asymmetrical treatment does not:

Regulatory parity arguments are hard to ignore because they are grounded in notions of fairness and equality that are fundamental values in our society. Additionally, in the context of communications policy, an economic justification for regulatory parity is that, if all other factors are equal, regulators should treat similar services similarly in order to promote efficiency. As Michael Katz, a former FCC Chief Economist, states, "unless all suppliers are treated equally, regulation—rather than the ability to satisfy consumer demands efficiently—will determine which suppliers prevail in the telecommunications marketplace." If regulatory policy (rather than the marketplace) decides who prevails, the result is likely to be "lower quality, less innovation and investment, and higher costs and prices."²⁸ (Emphasis added)

44. Reform Options 2 and 3 undermine more than 15 years of policies promoting symmetry and convergence by adopting asymmetric foreign ownership regimes. Option 3 creates a dichotomy between the telecommunications and broadcast foreign ownership regimes. It eliminates the existing ownership restrictions for TCCs while retaining them for broadcast licensees, which includes licensed BDUs, like Bell's direct-to-home (DTH) satellite TV and wireline IPTV operations, and other terrestrial cable operators, such as Rogers, TELUS, MTS Allstream, Videotron, Shaw, Cogeco, SaskTel, and Eastlink. In other words, Bell's telephone, Internet and data operations would be liberated - on paper - from today's foreign ownership restrictions, but its licensed DTH and IPTV broadcast operations would not. In practical terms, the on-going need for compliance with the broadcasting rules means integrated carriers like Bell, TELUS, Rogers, Videotron, Shaw, Cogeco, MTS Allstream, SaskTel and Eastlink could not take advantage of foreign ownership liberalization for TCCs. To put it more bluntly, as noted in Table 1 above, the only practical beneficiaries under Reform Options 2 and 3 are the pure-play new wireless entrants: Wind Mobile, Mobilicity and Public Mobile Inc. and any subsequent non-Canadian new entrants.

45. At a practical level, structural separation of an integrated carrier's telecommunications and broadcasting lines of business and or divestiture of the latter would be complex and fraught with difficulty. It hardly needs mentioning that today's converged operators use the very same network, architecture, routers, buildings, technicians, back offices, support and billing systems

²⁸ Ismail, Sherrille (2004), "Parity Rules: Mapping Regulatory Treatment of Similar Services" *Federal Communications Law Journal*, vol.56 pages 447 – 488 at pages 448 and 449.

to efficiently deliver voice telephony, data and broadcasting services. Disentangling them into discrete telecom and broadcasting silos would be an operational and logistical nightmare which would lose today's beneficial efficiencies and economies of scale and scope. And if it did happen, the result very well could be diminished network investment and higher consumer prices, particularly for broadcasting distribution services, in the event the network "pipes" over which broadcasting services are delivered were assigned to an arms-length, structurally separate, foreign-owned TCC.

46. The authors of the TPRP Final Report well understood this, observing:

The technology and market trends discussed in Chapter 1 affect both the telecommunications and broadcasting industries, and many of the major players in the Canadian telecommunications industry, such as BCE Inc., Rogers Communications Inc., Shaw Communications Inc. and Vidéotron ltée, are also major players in the Canadian broadcasting industry. The continuing convergence of Canada's communications industries, with former "cable TV" companies and "telephone companies" both offering a similar range of voice, data and video services on broadband Internet Protocol (IP) platforms, will significantly increase competition between the telecommunications and broadcasting industries. The entry of wireless companies into the video distribution business will intensify this competition.

This convergence of telecommunications and broadcasting markets brings into question the continued viability of maintaining two separate policy and regulatory frameworks, one for telecommunications common carriers like the incumbent telephone companies and one for their competitors in most of the same markets, the cable telecommunications companies.²⁹

And further:

This form of more symmetrical or "technology neutral" regulation should allow network operators the freedom to invest in and develop the IP network infrastructure in the most efficient and effective way possible in response to market demand. At the same time, it should enable policies dedicated to the promotion of video content to focus on the measures best suited to the new network environment.³⁰

47. The Commission's Chairman, Konrad von Finkenstein, also correctly summarized the logic underlying convergence as follows in his appearance before the Standing Committee on Industry Science and Technology in its recent hearings reviewing the foreign ownership and control rules:

²⁹ TPRP, page 11-3.

³⁰ Ibid, page 11-9.

Broadcasting distributors now deliver telephone service. Phone companies deliver television service. The Internet delivers everything and mobile devices bring it all into your hand wherever you are. Technological convergence has led to corporate convergence: Mergers and acquisitions bring all of these services together under large ownership groups.

At the CRTC we have been doing what we can internally to implement regulatory convergence. We have created the Policy Development and Research branch, which brings together activities common to broadcasting and telecom. We also conduct joint telecommunications and broadcasting hearings whenever possible. For instance, we examined the accessibility of both types of services in a single hearing.

But the legislative and regulatory structure we administer still preserves the old distinctions of broadcasting and telecommunications, or in other words the distinctions between content and carriage. For Canada to remain a leader in a converged world, we need to abandon these artificial and outdated concepts.³¹

48. Setting up an ownership framework which incents integrated companies to try to unwind their converged telecom and broadcasting operations in favour of separate and discrete telecommunications and broadcasting silos would be a retrograde move going against the tide of technological development, and common business, policy and regulatory wisdom, both in Canada and in the advanced industrial economies of the world. Such a scenario carries a risk of reduced network investment given that such capital costs would only be recoverable based on returns from two (telephony and Internet) instead of three (telephony, Internet and TV) retail services. Reform Options 2 and 3 would create a clear legislated disincentive against innovations like IPTV. If Reform Options 2 or 3 had been in force over the past several years, TCC network operators like Bell, TELUS and SaskTel, each of whom has launched IPTV service offerings, would have faced a disincentive to move forward with research, development and ultimately the launch of IPTV service because they would have put their non-Canadian TCC investments at risk in order to qualify for a broadcasting license under the current foreign ownership rules. Reform Options 2 and 3 could deny consumers the benefits of technological developments such as IPTV (or delay them), not to mention increased competition and consumer choice in their communications services.

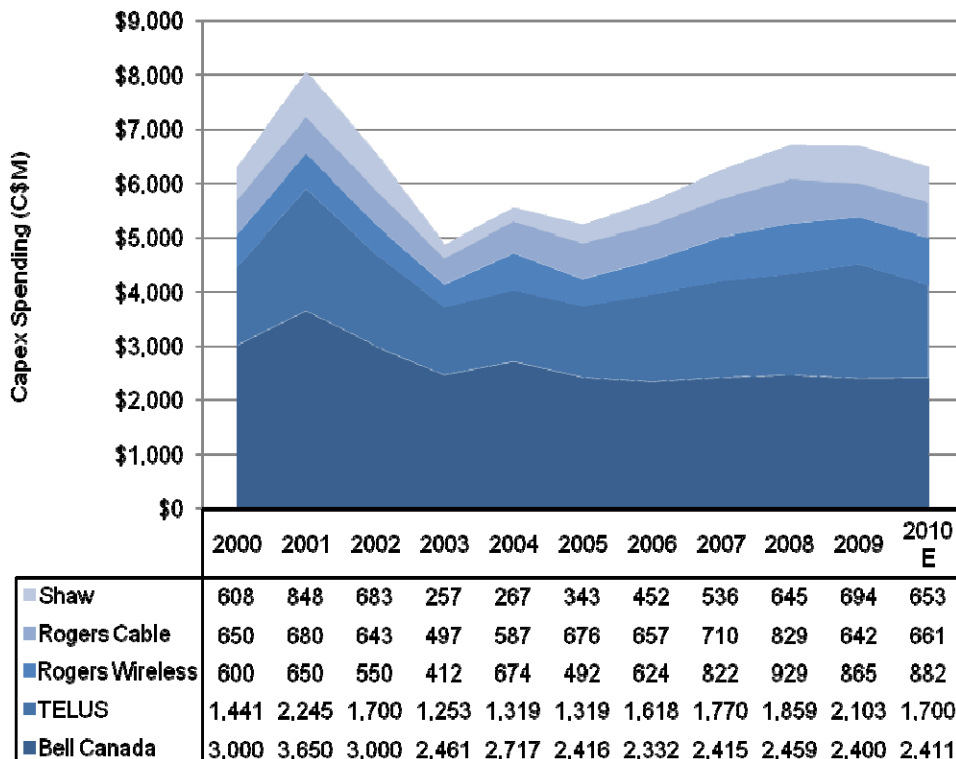
49. Reform Option 2 offends symmetry even more egregiously than Option 3. It not only creates the same dichotomy between TCCs and broadcasting licensees as Option 3, it adds a further layer of asymmetry by creating a dichotomy between those TCCs having more than a

³¹ Speaking Notes for Konrad von Finckenstein, Q.C., Chairman, Canadian Radio-television and Telecommunications Commission, to the Standing Committee on Industry, Science and Technology, Ottawa, Ontario, 13 April 2010. Available online at: <http://www.crtc.gc.ca/eng/com200/2010/s100413.htm>.

10% share of Canada's annual telecommunications revenues – who would remain subject to the *status quo* rules - and those with less – for whom the telecom rules would be abolished. In practice, as seen from Table 1 above, that means Bell, Rogers and TELUS would see their TCC operations continue to be subject to today's foreign ownership restrictions, whereas every other TCC would be free to become 100% owned and controlled by non-Canadians, except the integrated carriers, like Bell, TELUS, Rogers, Videotron, Shaw, Cogeco, MTS Allstream, SaskTel and Eastlink, who, as explained above, would find it very difficult in practical terms to restructure themselves to take advantage of the new rule.

50. We seriously question the logic of Reform Option 2, which imposes even greater disadvantage on Bell, TELUS and Rogers when these three carriers have played such an important role constructing Canada's three world class 3G wireless networks and are major contributors to the construction of today's advanced terrestrial fibre broadband networks. As is evident from Tables 2 and 3, Bell, Rogers and TELUS are amongst the Cap-Ex leaders in terms of both wireless and terrestrial network spending.

Table 2
Canadian Top Five Telecom Cap-Ex Spenders
2000 – 2010 (C\$M)



Source: IDC Canada 2010, *Canadian Telecommunications Capex Budgets, 2009 – 2010*, Figure 23.

Table 3
Canadian Telecom Cap-Ex Spending
2005 – 2010 (C\$M)

Provider	2005	2006	2007	2008	2009	2010E
Bell Aliant	361	419	543	529	465	450
Allstream	125	107	124	141	111	110
AT&T GNS	40	75	120	100	35	40
Bell Canada	2,416	2,332	2,415	2,459	2,390	2,411
Bell Nordiq	52	72	N/A	N/A	N/A	N/A
Cogeco	112	160	205	211	306	341
DAVE Wireless	N/A	N/A	N/A	N/A	200	100
Globalive Wireless	N/A	N/A	N/A	N/A	450	300
Groupe Vidéotron	217	306	330	404	524	450
MTS	216	166	188	195	182	163
Northwestel	42	37	43	37	38	40
Primus Canada	15	21	23	10	9	8
Rogers Business Solutions	66	83	83	36	37	30
Rogers Cable	676	657	710	829	642	661
Rogers Wireless	492	624	822	929	865	882
SaskTel	104	234	172	148	206	239
Shaw Cable	343	452	536	645	694	653
Shaw Wireless	N/A	N/A	N/A	N/A	N/A	100
Telesat Canada	260	205	188	N/A	N/A	N/A
TELUS	1,319	1,618	1,770	1,859	2,103	1,700
TeraGo Networks	N/A	N/A	N/A	N/A	11	11
Vidéotron Wireless	N/A	N/A	N/A	N/A	450	350
Telecom Total	5,509	5,993	6,491	6,442	7,552	6,934
Total with Cable	6,857	7,568	8,272	8,531	9,718	9,039

Source: IDC Canada 2010, *Canadian Telecommunications Capex Budgets, 2009 – 2010*, Table 13.

51. It is evident that Reform Option 2 creates market distortions that deny foreign ownership flexibility, even on paper, to the three leading Cap-Ex TCCs and who are among the most successful in executing convergence and making facilities-based competition a reality. In this way, Reform Option 2 is worse than Reform Option 3. There is no logic to adopting public policy that punishes, instead of rewarding, convergence and facilities-based competition.

52. In this regard, the TPRP stated as follows:

Because the facilities they own are now used to carry broadcasting services as well as telecommunications services, some of Canada's largest telecommunications common carriers, such as Bell Canada and TELUS Communications Inc. are now licensed as BDUs. Thus, even if the *Telecommunications Act* were amended to permit greater foreign ownership or control of Canadian telecommunications common carriers, these companies would remain subject to the foreign ownership and control provisions of the *Broadcasting Act*. This could potentially disadvantage their shareholders, in terms of the benefits that might result from a transfer of ownership, and weaken their competitive position in the Canadian telecommunications marketplace.

In summary, asymmetrical liberalization of Canada's foreign investment rules — that is, liberalizing foreign investment rules for telecommunications carriers but not BDUs — could leave cable companies and some telecommunications companies in an unfair competitive disadvantage.³²

53. There is a troubling irony in adopting Reform Option 2 when it disadvantages the most successful contributors to facilities-based competition, particularly when one considers that longstanding Government policy has promoted facilities-based competition in the Canadian telecommunications industry.

5.0 THE NEGATIVE UNINTENDED CONSEQUENCES OF REFORM OPTIONS 2 AND 3

54. There are a number of negative unintended consequences which would result from implementation of the asymmetrical changes embodied in either Reform Options 2 or 3 which further cement their status as unviable reform options. Given that the case has not been made to justify changes to Canada's telecommunications foreign ownership and control regime, it is all the more important to be aware of these many negative unintended consequences, which we believe only serve to further disqualify Reform Options 2 and 3 as viable reform options.

³² TPRP page 11-15.

5.1 Worsening the Urban-Rural Digital and ICT Divide

55. One of the most serious unintended consequences that would result from the adoption of Reform Options 2 or 3 is the exacerbation and magnification of Canada's urban-rural digital and ICT divide.

56. It is undeniable that new entrants do not target rural and remote areas in bringing their services to market. Instead, they rollout service to the largest cities. How do we know this? As of June 2010, even a cursory review of the service rollouts of the three wireless new entrants shows none has plans to serve rural and remote Canadians. All three are restricting their operations to Canada's largest cities. Wind Mobile's network is operational solely in Toronto, Vancouver, Ottawa, Calgary and Edmonton.³³ There is no mention on its website of its network ever being built outside of the largest urban centres into rural or remote areas. As of 26 June 2010, Mobilicity's³⁴ network is operational solely within the Greater Toronto Area (GTA) (from Richmond Hill in the north, to Mississauga in the West, Scarborough in the east and downtown Toronto to the south). At the time of its June 2010 launch, Public Mobile Inc.'s³⁵ home network covers metropolitan Toronto and the Island of Montréal. It has plans to extend its home network west to Hamilton, Ontario and into the greater Montréal area in 2010. But not beyond Canada's two largest urban metropolitan areas.

57. It is reasonable to assume new non-Canadian TCCs entering the market under Reform Options 2 and 3 would follow this well-trodden path and that the intensification of competition in Canada's largest cities would only increase. Start-up costs are lower there, potential new subscribers are most concentrated there and that has been the pattern to date. It is also the formula practiced in most foreign jurisdictions, so there is no reason to expect that new non-Canadian investors would abandon formulae that have worked for them in their home markets.

58. This has important ramifications for rural and remote Canadians. The carriers remaining in the market (both Canadian and non-Canadian owned and controlled) will have to dedicate their resources to the cities to match the increased competitive threat there. Scarce resources that would otherwise have been allocated to rural and remote areas will be diverted to fortify

³³ <http://www.windmobile.ca/community/WIND-news/detail/network-updates-answers-your-questions/>.

³⁴ <http://mobilicity.ca/coverage/toronto/>.

³⁵ <http://www.publicmobile.ca/portal/consumer/coverage/coverage.xhtml>.

urban market share, be it through expanded urban distribution channels, redeployment of capital to the urban centres (e.g., the opening of new stores and kiosks), price discounting, bundling or a combination of these. Lower margins would inevitably handicap the incumbents' efforts to continue extending their wireless networks into more remote areas and expanding marketing and distribution there.

59. When considering the urban-rural digital and ICT divide it is important to note that urban Canadians' uptake of new technologies is not the problem. For example, Canada's urban wireless penetration rate of between 85% and 90% is similar to that of the US.³⁶ Ironically, Reform Options 2 and 3 would increase the growing urban fortification already seen in Canada since the latest group of wireless new entrants commenced operations, with an even greater likelihood of associated rural abandonment. Ironically, it is rural Canadians that would be most harmed by the urban fortification associated with Reform Options 2 and 3.

5.2 Slower Rollout of Next Generation Digital Infrastructure and Resultant Diminished Canadian Productivity and Competitiveness

60. Associated with the urban fortification and rural abandonment described above is a further unintended consequence in the form of diminished productivity and competitiveness for Canadian businesses outside the dense urban cores that rely on continued investment in and deployment of state-of-the-art networks. Urban fortification, as noted above, will undoubtedly result in re-allocations of capital. This will affect the rollout out of new digital infrastructure in other areas of the country. Ultimately a slowing in the deployment of next generation infrastructure will manifest itself in terms of diminished business productivity and competitiveness for Canadian businesses located outside the urban cores. To the extent any foreign ownership reform is required, it should be a technology enabler and a catalyst for increased Canadian productivity, and should not result in a drag on technological investment and productivity.

5.3 Absence of Trade Reciprocity for Canadian TCCs Abroad

61. It is reasonable to ask: What would the *quid pro quo* advantage to Canada be in exchange for opening its telecommunications industry to foreign ownership and control in fact? For example, in return for removing the barriers that would enable Canada's oldest and largest

³⁶ See CIBC *Stress Testing Canadian Wireless: Why Data Growth Holds the key to Long-Term Wireless Fundamentals*, 14 June 2009.

common carrier, Bell, to be acquired, would our largest and most significant trading partner, the U.S., ever seriously allow one of the gems of its communications industry to be acquired by Canadians?

5.4 Loss of "Made In Canada" Decision Making

62. Implementation of either Reform Options 2 or 3 would result in strategic decision making being moved out of Canada and transferred to non-Canadians. No one can seriously doubt there will be head office and related job losses as foreign carriers integrate their Canadian and international operations.

63. This flight of Canadian head offices has broader ramifications relative to consequential impacts in terms of work for advertising firms, law firms, investment banks and other related Canadian service industries. Bell alone currently spends in the tens of millions of dollars annually on such services. Loss of made in Canada decision making will spur a "brain drain", inciting Canadian professionals to leave Canada in search of these types of head office and related positions, abroad.

64. One need only look to the Canadian oil industry to see the impacts of consolidation and the hollowing out of Canadian head offices. It's not a question of if Reform Options 2 and 3 would lead to TCC corporate offices in Canada being staffed by middle managers, it is just a question of the degree to which and how quickly this would result.

65. The hollowing out of Canadian head offices also has serious ramifications in terms of Canadian network and other investment. Canadians can be justifiably proud that we lead the world in terms of our three HSPA+ wireless networks offering, in Bell's case, service to 93% of the Canadian population, including to thousands of rural communities. Had the antecedent investment and rollout decisions been made in AT&T head offices in Dallas, Texas, or by British Telecom in London, England or by Deutsche Telecom from its headquarters in Bonn, Germany, answerable to shareholders in those countries rather than Canadians, would these Canadian investments have ranked as highly as they did to us? The answer clearly must be no.

66. Put another way, where will the investments be made first, if it comes down to prioritizing a network upgrade in Denver, Colorado versus Winnipeg; Manitoba; Cincinnati, Ohio versus London, Ontario; Berkeley, California vs. Summerside, PEI? Would non-Canadian owned

companies, no longer answerable to Canadian shareholders and without the deep roots in Canadian communities, continue the same commitments to philanthropy and community service as Bell has shown throughout over a century of operations in Canada?

Table 4:
Comparison between U.S. and Canadian Cities by Population Groupings
2006

Population	U.S.	Canada
> 2 M	4	2
1 M – 2 M	5	1
500K – 1 M	24	6
250K – 500K	37	7
100K – 250K	187	7

Source: U.S. Census Bureau, Population Division and Statistics Canada, 2006 Census

67. One can similarly ask whether a non-Canadian controlled company would have made the same commitment to flawlessly execute its mandate to provide the underlying terrestrial and wireless networks that Bell did for the Vancouver 2010 Olympics. This is what the Senate Standing Committee on Transport and Communications had to say about Bell's performance as the network provider to Vancouver 2010:

The Olympics and modern telecommunications came together in Vancouver in February 2010. The official from Bell Canada who appeared before the committee was justly proud of his company's performance at the Winter Olympic Games.

... the Vancouver Olympics served as a show case for us for how to put broadband networks to effective use. For example, we had a mobile TV service that was the number one iPhone application downloaded during the games. It delivered every minute of live TV coverage from the Canadian Broadcasting Consortium to wireless handsets, allowing Canadians to view live Olympic coverage over their mobile phones, wherever they were. We committed over \$400 million to the games to deliver the most watched Olympic Winter Games in history and the most advanced broadband network of Olympic Games, even Beijing.

The mobile phones mentioned are smart phones with high-speed broadband connections and the network these phones used was part of the national HSPA+ network that Bell and TELUS had rolled out in the beginning of November 2009.³⁷

³⁷ Plan for A Digital Canada, The Standing Senate Committee on Transport and Communications, June 2010, page 44.

68. Similarly, would a non-Canadian company have prioritized provision of the underlying network for the just-ended G8 and G20 meetings in Huntsville, Ontario and Toronto as highly as Bell? We added significant coverage and capacity both to support the summits and ensure our consumer and business customers were not impacted by the extraordinary traffic volumes. Mobile data traffic in Toronto during G20 was up 600%. Huntsville required infrastructure enhancements to meet extraordinary G8 communications demands, including upgraded high-speed broadband links and an additional wireless site. Accredited Bell technicians were able to access communications infrastructure in restricted areas and were on site and on call 24 hours a day. Supporting our enterprise clients, Bell provided specialized communications services for major banks and other large institutions that moved critical operations outside Toronto's downtown core during the G20 event.

5.5 Less Robust Competition In Terms of New Technology

69. Ironically, Reform Options 2 and 3 are likely to slow down the introduction of new technology into Canada relative to the *status quo*, or reduce competition as it relates to new services. The point here is that with increased probability of new foreign entry comes the countervailing probability that instead of there being two or even three Canadian TCCs having the rights to distribute new technology in Canada, as is often the case now, there could be just one, the non-Canadian new entrant. Nothing illustrates this better than AT&T's exclusive US distribution rights over the iPhone and iPad.

70. Theoretically, non-Canadian owned and controlled AT&T would be free to enter and begin Canadian operations under Reform Options 2 and 3. Right now at least three Canadian-owned and controlled TCCs, Bell, TELUS and Rogers, have rights to distribute the iPhone and iPad. Does anyone seriously doubt, given Canada's proximity to the U.S. and our relatively small market, that if AT&T were to enter the Canadian market it would attempt to leverage its exclusive U.S. distribution rights into Canada. If successful, this would result in just one, not three, distributors of these widely popular Apple devices.³⁸

³⁸ AT&T's exclusive distribution of the iPhone illustrates the latter scenario. See: http://store.apple.com/us/browse/home/shop_iphone/family/iphone?mco=OTY2ODA2OQ#faq.

5.6 Preventing "Pure Play" Telecom Entrants From Replicating and Building on The Benefits of Integration

71. On its face, Reform Options 2 and 3 will benefit only pure-play, non-integrated telecommunications service providers, like Public Mobile Inc., Wind Mobile and Mobilicity, or new non-Canadian investors in facilities-based telecommunications services who restricted their operations solely to telecommunications services. Ironically, even these pure play telecommunications service providers could one day become subject to the broadcasting foreign ownership rules as the distribution of broadcasting content over the Internet and on mobile phones becomes more prevalent. The Commission has indicated that further consideration of the appropriate framework for the regulation of broadcasting over the internet and via wireless platforms would be required "as new media's significance continues to evolve."³⁹ So today's pure play wireless telecommunications providers could be banished to forever remain pure play, or be forced to dilute their foreign ownership levels to comply with the *Broadcasting Act* limits if these were one day applied to today's exempt new media and wireless only broadcasters.

72. For all of these reasons, the unintended and overwhelmingly negative consequences flowing from Reform Options 2 and 3 when combined with their violation of the symmetry principle completely disqualifies these two measures as viable proposals for reform.

6.0 REFORM OPTION 1 IS THE ONLY VIABLE OPTION, TO THE EXTENT ANY REFORM IS REQUIRED

6.1 A Possible Cost-Benefit Framework To Evaluate The Reform Options

73. Ultimately the Government will require some form of cost-benefit analysis to decide which of the three Reform Options, if any, best aligns with the Canadian public interest. Ultimately the Government will need to pose the following types of questions:

- Is there a demonstrated need for reform of our foreign ownership and control regime? And if so:

- Does the Reform Option selected address that need?

³⁹ See *Review of broadcasting in new media*, Broadcasting Regulatory Policy CRTC 2009-329, para. 26. Available online at: <http://www.crtc.gc.ca/eng/archive/2009/2009-329.htm>

- Do its benefits outweigh its costs?
- Are those benefits experienced by a broad cross-section of Canadians, in both urban and rural areas, by consumers, investors and corporate stakeholders?
and
- Knowing the relevant risks, is it worth risking the negative unintended consequences associated with implementing the measure?

74. In other words, if governmental action is required, it should address a demonstrated and important concern. In so doing, the measure's proponents should be able to show it will promote its underlying objective, be focused as narrowly as possible on remedying the identified harm and that its associated benefits will be broadly experienced and thereby likely outweigh its costs. We think applying this type of cost-benefit analysis will help the Government get it right when it comes to deciding how best to reform Canada's telecommunications foreign ownership regime, if reform is needed at all. This cost-benefit prism only serves to further confirm the disqualification of Reform Options 2 and 3 as viable measures.

6.2 Reform Options 2 and 3 Are Solutions Looking For a Problem

75. Starting with the stated objectives of foreign ownership reform, the evidence reviewed above demonstrates that on network coverage, price, network speeds, investment, and rollout of next generation wireline and wireless networks and associated innovative products and services, Canada compares favourably internationally. In the circumstances, it is reasonable to question why we should risk the many and considerable negative unintended consequences associated with Reform Options 2 and 3, and violation of the symmetry principle, when ultimately the premises underlying this Consultation are no longer valid. It's also reasonable to ask in the wake of the Cabinet's Globalive reversal, and the arrival of several new entrants in Canada's wireless sector (with several more new entrants like Shaw and Videotron poised to enter shortly), whether new entrant carriers require any relaxation of the foreign ownership rules at all.

76. The list of unintended consequences flowing from Reform Options 2 and 3 is as serious as it is long: urban fortification, and rural abandonment resulting in a magnification of the urban-rural digital and ICT divide; diminished Canadian productivity and competitiveness; the flight of

head offices abroad and a resultant loss of "made in Canada" decision making; a dampening of new technological introduction into Canada. In return, we see no apparent new reciprocity for Canadian owned and controlled firms to expand into foreign markets. Moreover we see overwhelmingly negative market distortions for the leading Canadian TCCs in terms of capital investment in Canada and bringing Canadians the benefits of convergence and facilities-based competition.

77. Reform Option 2 comes out significantly worse than Reform Option 3 since it seeks, even on paper, to deny the theoretical foreign investment liberalization associated with Reform Option 3 to Bell, TELUS and Rogers, three companies that consistently provide the greatest benefits to the Canadian economy in terms of capital expenditures, investment in next generation networks, new service introduction and jobs.

6.3 Reform Option 1 Is The Only Viable Reform Option In The Event Reform Is Deemed Necessary

78. Reform Option 1 represents a 145% increase in the allowable direct non-Canadian ownership equity interest in TCCs relative to the *status quo* regime. It is worth remembering that U.S. companies, Sprint and the then SBC⁴⁰, both made significant investments in the Canadian telecom market in the 1990s at a time when the current foreign investment rules restricted them to just a 20% direct voting share interest. Reform Option 1 therefore represents a significant liberalization of the foreign ownership rules relative to today's rules.

79. Reform Option 1 also eliminates the need for today's complex, multi-layered, Holdco-operating structures. Before dismissing this as largely theoretical, Bell is living proof that companies often must weigh the tax and other advantages associated with operating with parent company structures above operating companies against the benefits of maximizing foreign ownership. Until 2009, BCE's foreign investment limit was capped at 20%, even though BCE is considered to be a holding company under today's foreign ownership rules which permit non-Canadians to hold up to 33 1/3% of a Holdco's voting shares. The reason is that BCE was also a broadcasting licensee, given its status, for tax reasons, as a limited partner in the limited partnership which owns the Bell TV DTH service. In 2009, BCE ceased to be a limited partner, and hence a broadcasting licensee, as the tax benefits no longer justified it. Nevertheless, for

⁴⁰ See, for example: "SBC Communications to Sell Stake in Bell Canada", The Dallas Morning News, 22 June 2002. Available online at: <http://www.encyclopedia.com/doc/1G1-122897273.html>.

over 10 years, BCE could not take advantage of further foreign ownership under our current rules while being structured in a tax efficient manner. This would no longer be the case. Reform Option 1 would provide companies with the flexibility of deciding how best to obtain the benefits of increased foreign voting equity investments, be it direct and/or indirect, up to 49%.

80. Reform Option 1 also represents a step that the Government can adopt as a "wait and see" measure, before taking steps to further completely liberalize, or eliminate Canada's telecommunications and broadcasting foreign ownership regimes. Reform Option 1 also represents a measure which has already been adopted by this Government for airlines and extends it to the telecom and broadcasting sectors.⁴¹

81. Reform Option 1 eclipses Reform Options 2 and 3 by any measure from a cost-benefit perspective. It avoids all of the negative unintended consequences identified above and respects the symmetry principle. As such, it runs no risk of creating the distortions and artificial distinctions between carriers based on market share, incumbency, and converged versus pure play telecom operations. Reform Option 1 also avoids the considerable public policy costs associated with Reform Options 2 and 3. Option 1 provides meaningful change, as well as a step from which to assess the entire communications industry (telecom and broadcasting) before determining whether more fundamental reforms may be required in the future.

82. For all of the above reasons, if reform is deemed necessary, the case for which has not been made, Bell believes that the cost-benefit, symmetry and public policy analysis all demonstrate that Reform Option 1 is far superior to the other reform options.

83. Bell Canada appreciates this opportunity to file these comments.

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⁴¹ On a day to be fixed by order of the Governor in Council, Bill C-10 (*Budget Implementation Act, 2009*; S.C. 2009, c. 2) will amend the definition of "Canadian" in s. 55(1) of the Canadian Transportation Act, leaving in place the control in fact requirement with respect to corporations but increasing the foreign ownership limit from 25% to 49%.⁴¹ The new definition of "Canadian" will read in relevant part:

"[...] a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which the percentage of voting interests owned and controlled by non-Canadians is not more than:

- (a) in respect of all non-Canadians, the percentage specified in the regulations, or
- (b) in respect of any class of non-Canadians specified in the regulations, the percentage specified in the regulations in respect of that class;"

A new s. 55.1 will be added to the CTA, empowering the Governor in Council to issue regulations specifying a percentage or not more than 49% for each of paragraphs (a) and (b) above and, for paragraph (b), the classes of non-Canadians.

Canadian Wireline Broadband Market Facts

July 30, 2010

Bell

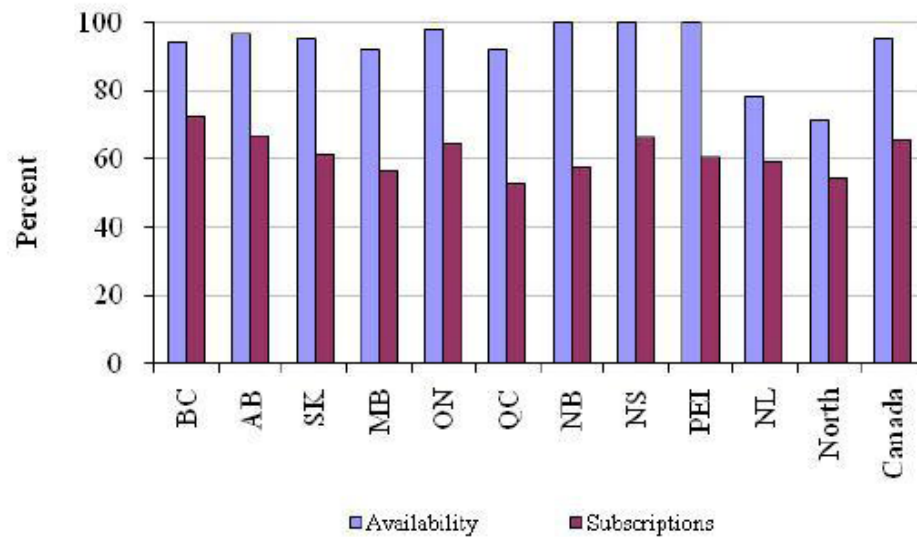
Canada's Wireline Broadband Networks

- 95% of Canadian households have access to wireline broadband services.¹

Figure 1: Broadband Availability (Percentage of Households) - 2009



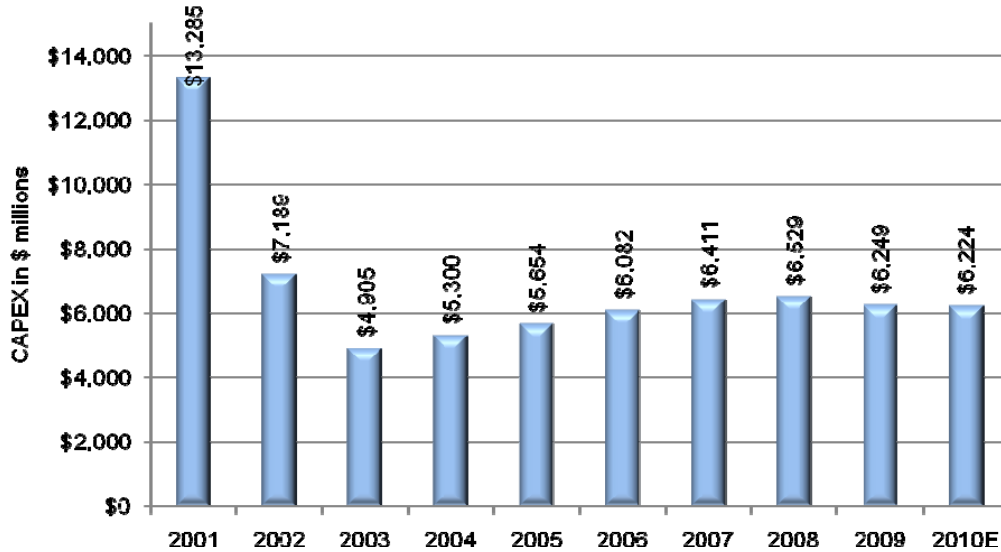
Figure 2: Broadband Availability vs. Broadband Subscriptions – 2009



¹ CRTC *Communications Monitoring Report 2010*, July 2010, Figures 5.3.5 and 5.3.7, available at <http://www.crtc.gc.ca/eng/publications/reports/PolicyMonitoring/2010/cmr2010.pdf>.

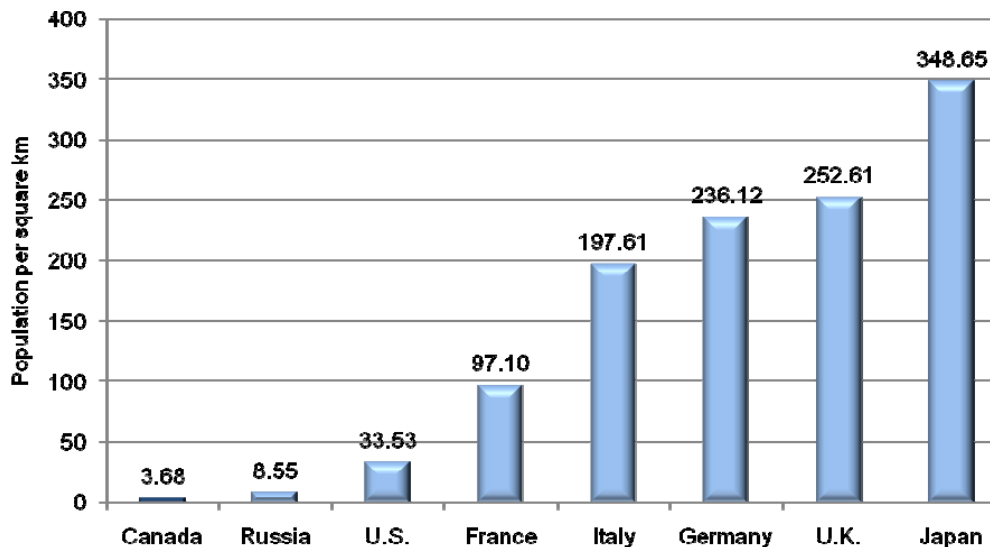
- Canadian telecom companies have made significant capital investments in wireline technologies – over \$67 billion since 2000.²

Figure 3: Canadian Wireline Capex 2000 - 2010



- Canada has the lowest population density in the G8 and the second lowest in the G20.³

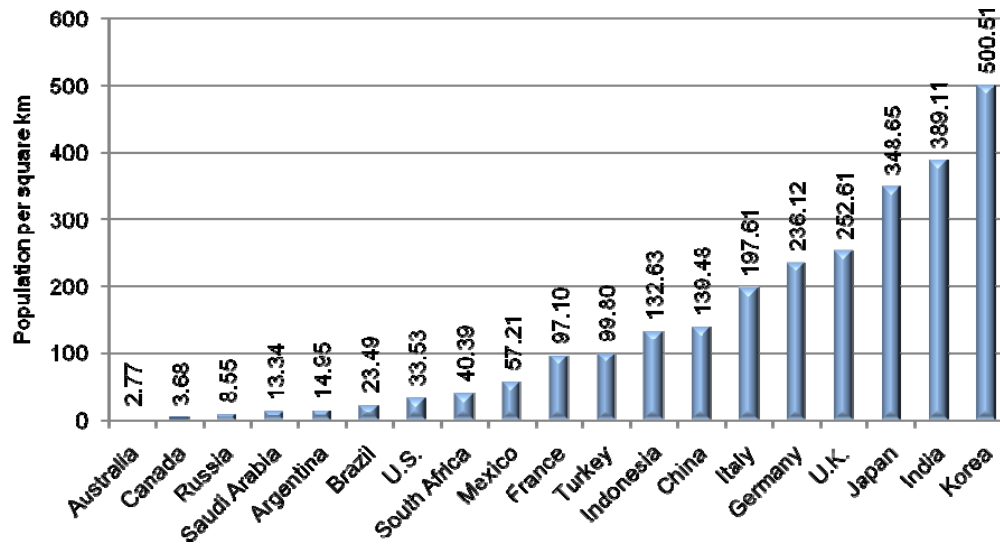
Figure 4: Population Density in 2009 for the G8



² IDC *Canadian Telecommunications Capex Budgets 2009 – 2010*, July 2010, Table 13.

³ Population density is equal to the total population divided by the total land mass in square kilometres. Data from the CIA World Fact Book available at <https://www.cia.gov/library/publications/the-world-factbook/index.html>.

Figure 5: Population Density in 2009 for the G20



Actual Download Speeds

- Canada has among the highest actual download speeds in the world – 2nd in the G8 and 3rd in the G20.⁴

Figure 6: Average Download Speeds (Kbps) 1Q10 for Available G8

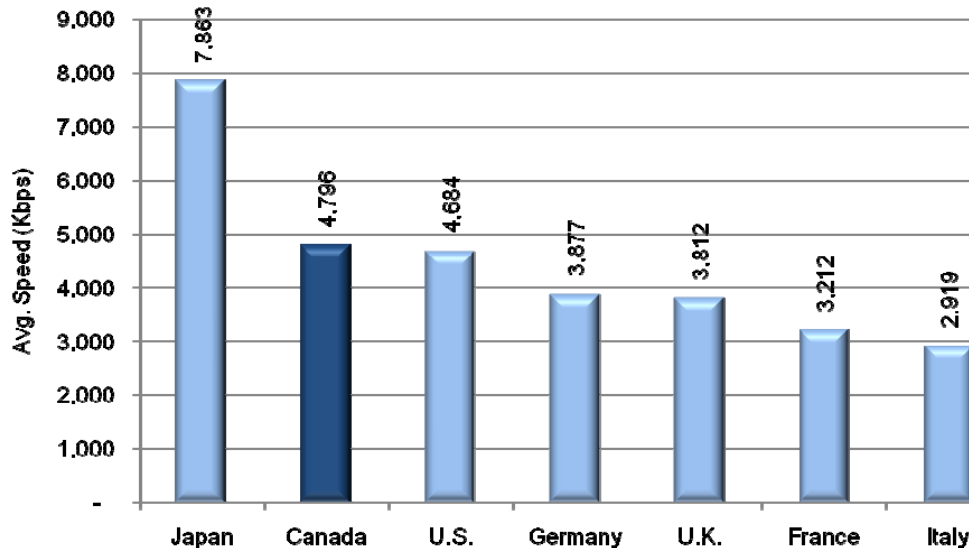
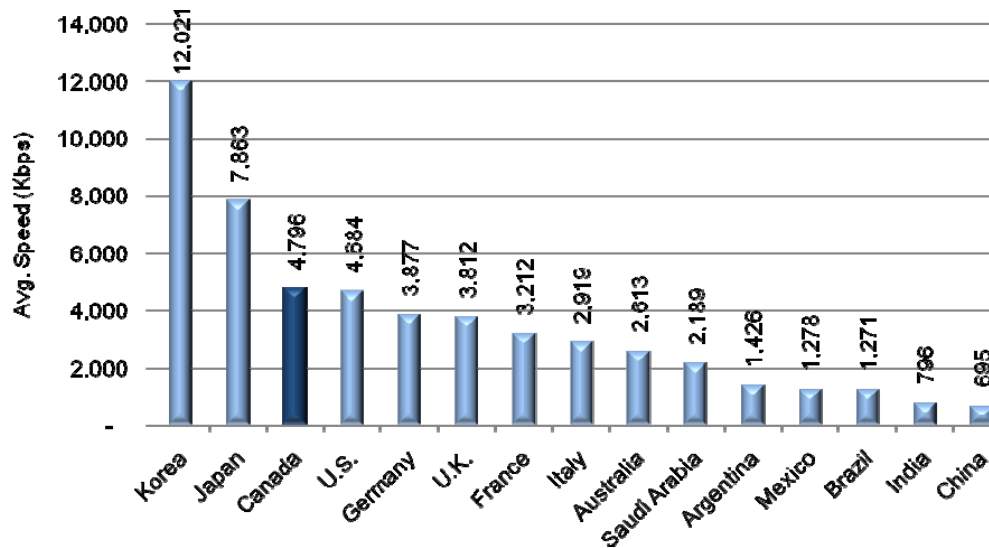


Figure 7: Average Download Speeds (Kbps) 1Q10 for Available G20



⁴ Akamai, 1st Quarter, 2010 *The State of the Internet Report*, available at <http://www.akamai.com/stateoftheinternet/>. Unlike other international comparisons which use advertised speeds, Akamai uses its globally-deployed server network and the billions of requests for web content that it services on a daily basis to determine download speeds. Note that Akamai does not have data for Russia in the G8, and does not have data for Indonesia, Russia, South Africa and Turkey in the G20. Thus, we refer to the available G8 and the available G20.

- Canada has among the highest percentage of unique IP addresses greater than 2 Mbps in the world – 2nd in the G8 and 3rd in the G20.⁵

Figure 8: % of Unique IP Addresses Greater than 2 Mbps 1Q10 for Available G8

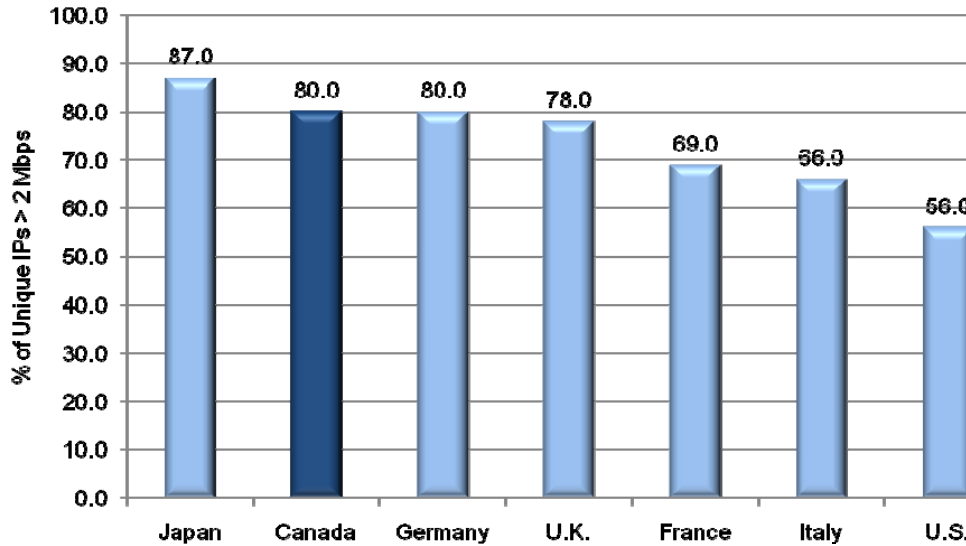
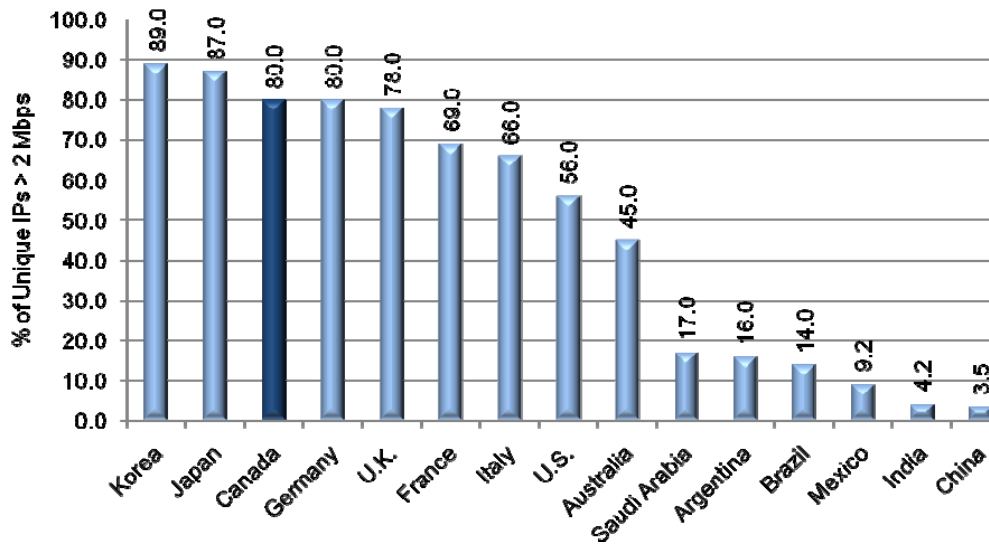


Figure 9: % of Unique IP Addresses Greater than 2 Mbps 1Q10 for Available G20



⁵ Ibid.

- Canada has among the highest percentage of unique IP addresses greater than 5 Mbps in the world – 2nd in the G8 and 3rd in the G20.⁶

Figure 10: % of Unique IP Addresses Greater than 5 Mbps 1Q10 for Available G8

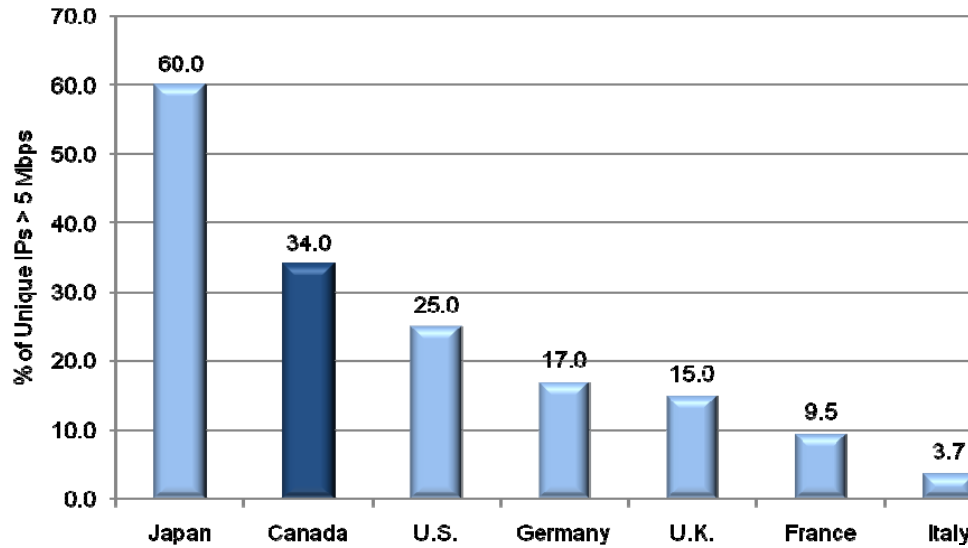
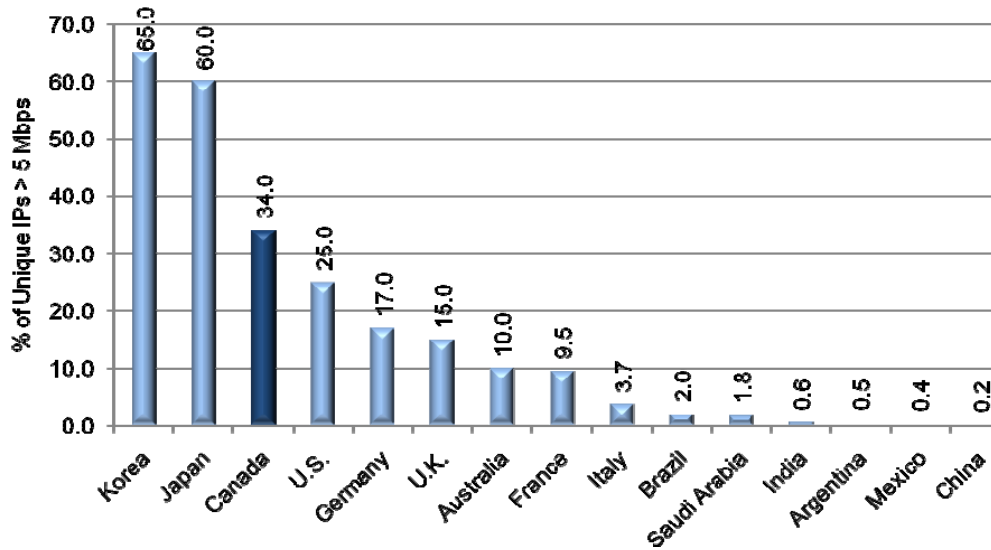


Figure 11: % of Unique IP Addresses Greater than 5 Mbps 4Q09 for Available G20

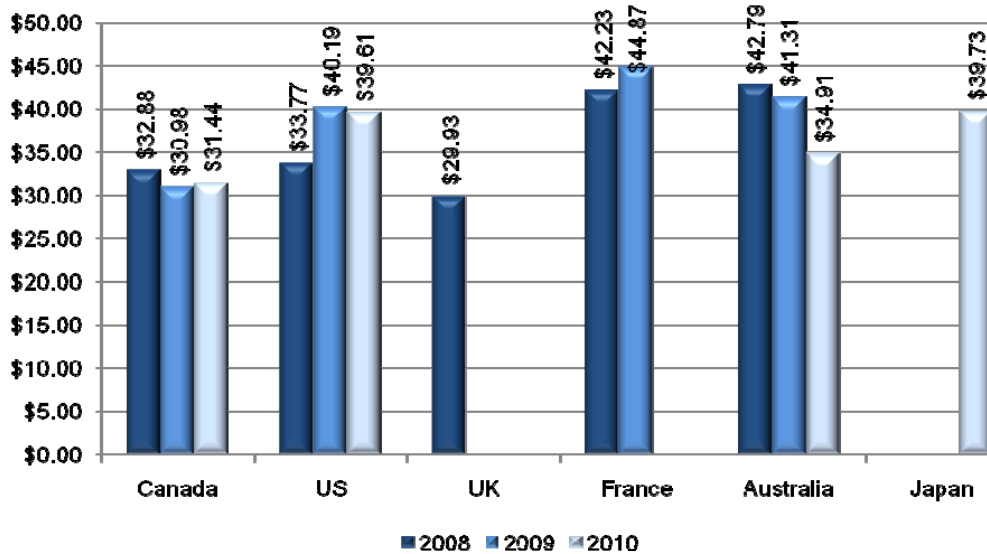


⁶ Ibid.

Price of Canada’s Wireline Broadband Services

- A recent report Commissioned by the Canadian Radio-Television and Telecommunications Commission (CRTC), finds that Canada’s broadband prices compare favourably to other digital economies.⁷

Figure 12: International Broadband Internet Prices – Broadband Level 1⁸
(PPP-adjusted CDN\$ per Month)



⁷ Wall Communications Inc., *Price Comparisons of Wireline, Wireless and Internet Services in Canada and with Foreign Jurisdictions: 2010 Update*, 16 April 2010, (Wall Report) available at http://www.crtc.gc.ca/PartVII/eng/2009/8663/c12_200907321.htm.

⁸ See Figure 10 of Wall Report. Level 1 service consists of transmission speeds less than or equal to 1.5 Mbps, average usage of 2 GB and a modem rental amortized over 24 months. The U.K. and France no longer offer this service and 2010 is the first year Japan was included.

Figure 13: International Broadband Internet Prices – Broadband Level 2⁹
(PPP-adjusted CDN\$ per Month)

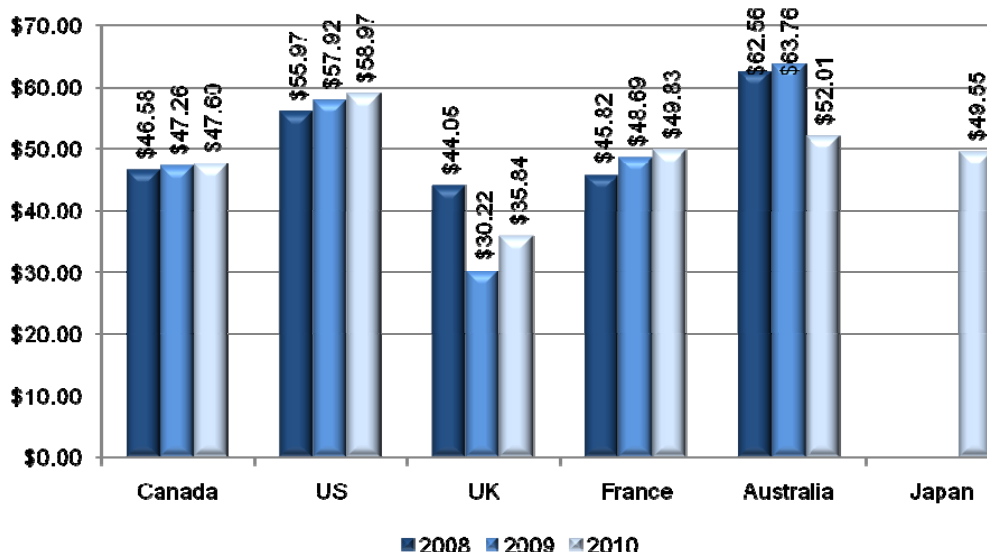
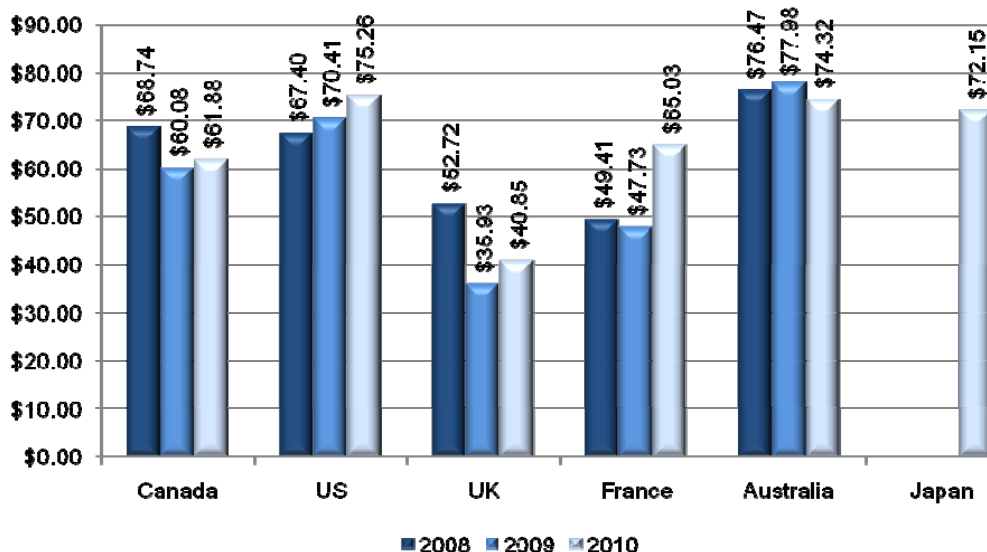


Figure 14: International Broadband Internet Prices – Broadband Level 3¹⁰
(PPP-adjusted CDN\$ per Month)



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⁹ See Figure 11 of Wall Report. Level 2 service consists of transmission speeds between 1.5 and 9 Mbps with a target of 5 Mbps, average usage of 10 GB and a modem rental amortized over 24 months. 2010 is the first year Japan was included.

¹⁰ See Figure 12 of Wall Report. Level 3 service consists of transmission speeds greater than 10 Mbps with a target of 15 Mbps, average usage of 25 GB and a modem rental amortized over 24 months. 2010 is the first year Japan was included.

Canadian Wireless Market Facts

July 30, 2010

Bell

Canada's Wireless Networks

- Canada is a world leader in wireless technology.
 - Canada is a world leader with three providers operating state-of-the-art 3G HSPA+ networks.¹

Figure 1: HSPA+ Networks in the G20

Country	No. of Providers	Providers
Canada	3	Bell Canada, Rogers, TELUS
Turkey	3	AVEA, Turkcell, Vodafone
Germany	2	Telefónica O2 Germany, T-Mobile
Saudi Arabia	2	Etihad Etisalat, STC Al Jawal
United States	2	BendBroadband, T-Mobile
Australia	2	Telstra, Optus
Indonesia	1	PT Telkomsel
Italy	1	Telecom Italia/TIM
Japan	1	eAccess/eMobile
South Africa	1	MTN
Argentina	0	
Brazil	0	
China	0	
France	0	
India	0	
Korea	0	
Mexico	0	
Russia	0	
United Kingdom	0	

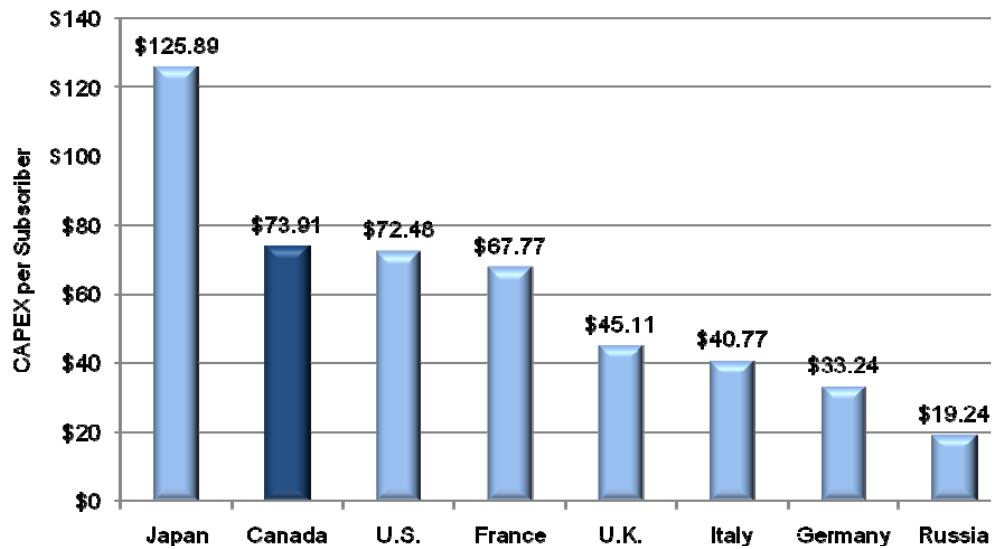
¹ 3G Americas available at <http://www.3gamericas.org/index.cfm?fuseaction=page&pageid=939>.

Figure 2: HSPA+ Networks in the G8

Country	No. of Providers	Providers
Canada	3	Bell Canada, Rogers, TELUS
Germany	2	Telefónica O2 Germany, T-Mobile
United States	2	BendBroadband, T-Mobile
Italy	1	Telecom Italia/TIM
Japan	1	eAccess/eMobile
France	0	
Russia	0	
United Kingdom	0	

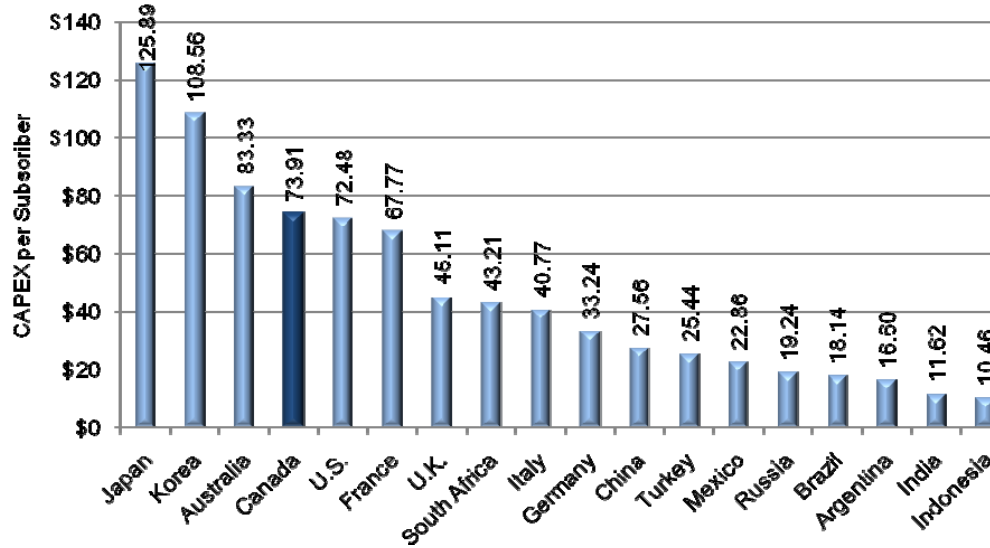
- In 2009, Canadian wireless carriers invested \$US 73.91 per subscriber in capital expenditures which is 2nd in the G8 and 4th in the G20.²

Figure 3: Capital Expenditure per Subscriber in 2009 for the G8



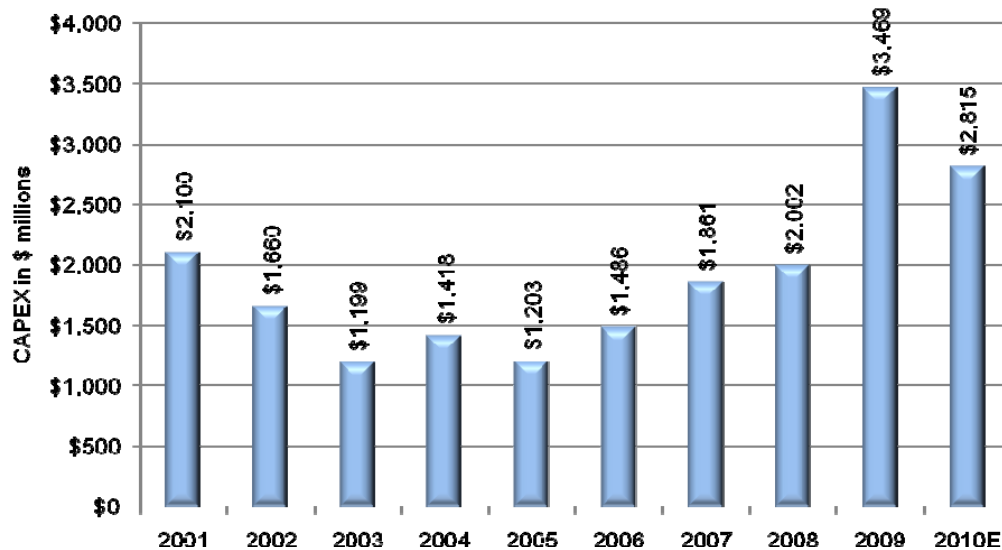
² Bank of America Merrill Lynch *Global Wireless Matrix 1Q10*, 13 April 2010. Note that this is not the complete G20 since the *Global Wireless Matrix* does not track Saudi Arabia.

Figure 4: Capital Expenditure per Subscriber in 2009 for the G20



- Canadian wireless service providers have invested over \$16 billion in capital expenditures since 2001 or close to \$22 billion if investments in auctioned spectrum are included.³

Figure 5: Canadian Wireless Service Providers Capex 2001 – 2010



³ IDC Canada, *Canadian Telecommunications Capex Budgets, 2009 – 2010*. July 2010, Table 10. Wireless Capex totals exclude Inukshuk venture, exclude one-time spectrum auction fees and use mid-points of guidance ranges. The auction proceeds from the 2001 PCS Spectrum Auction were \$1.5 billion and the proceeds from the 2008 AWS Spectrum Auction were \$4.3 billion.

- Canada has the lowest population density in the G8 and the second lowest in the G20.⁴

Figure 6: Population Density in 2009 for the G8

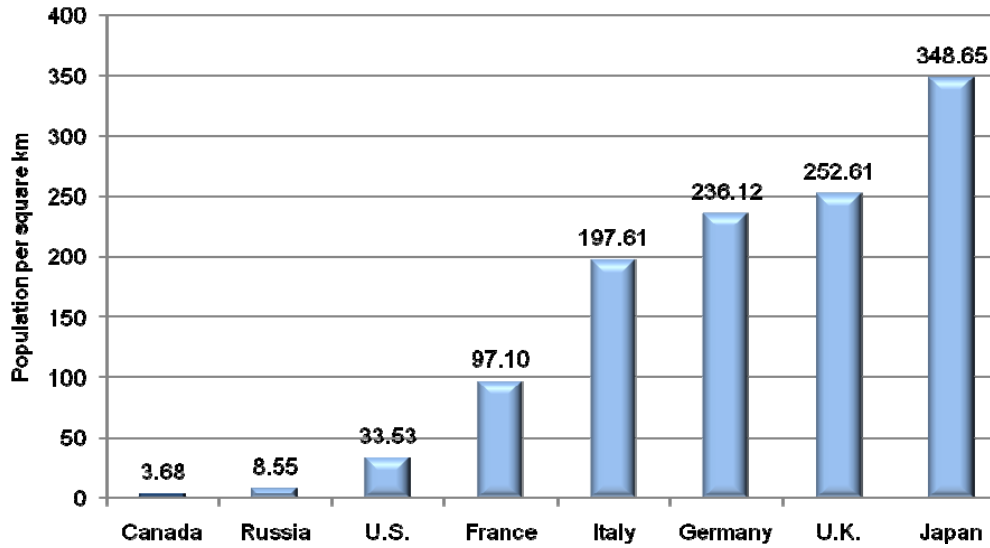
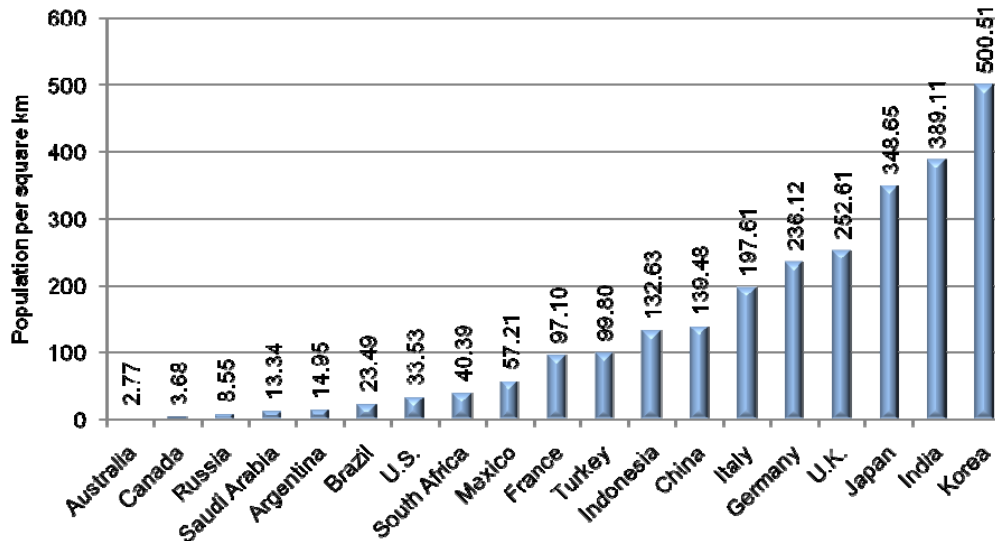


Figure 7: Population Density in 2009 for the G20

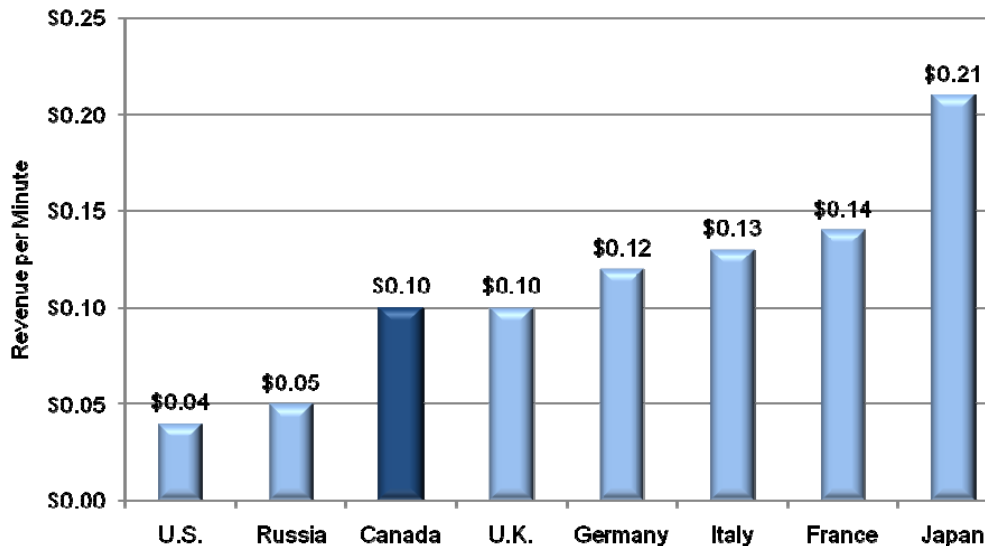


⁴ Population density is equal to the total population divided by the total land mass in square kilometres. Data from the CIA World Fact Book available at <https://www.cia.gov/library/publications/the-world-factbook/index.html>.

Price of Canada’s Wireless Services

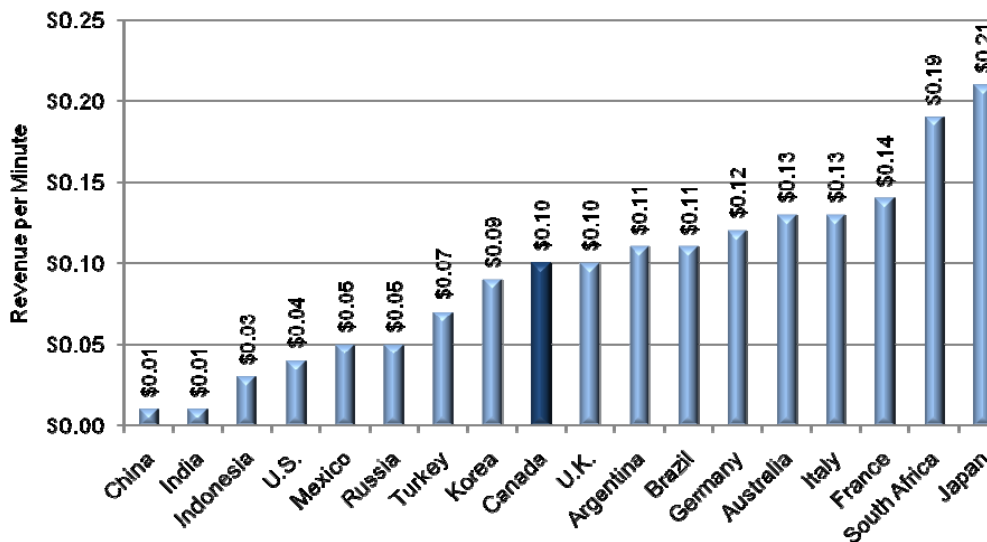
- Canadians pay among the lowest price per voice minute in the world – 3rd in the G8 and 9th in the G20.⁵

Figure 8: Voice Only Revenue per Minute (1Q 2010) for the G8



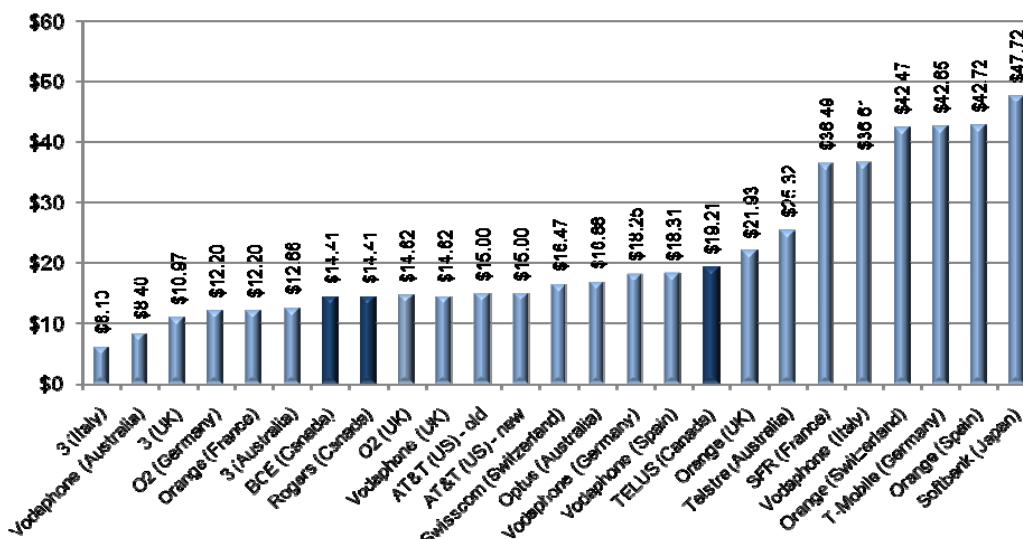
⁵ Revenue per Minute is equal to the *voice-only* average revenue per user per month divided by the average minutes of use per month per user. Average Minutes of use per month per user is the total minutes of use on the operator’s network divided by the average subscriber base during the quarter. It usually excludes traffic related to Mobile Data but includes both incoming and outgoing minutes. Bank of America Merrill Lynch *Global Wireless Matrix 2Q10*, 09 July 2010. Note that this is not the complete G20 since the *Global Wireless Matrix* does not track Saudi Arabia.

Figure 9: Voice Only Revenue per Minute (1Q 2010) for the G20



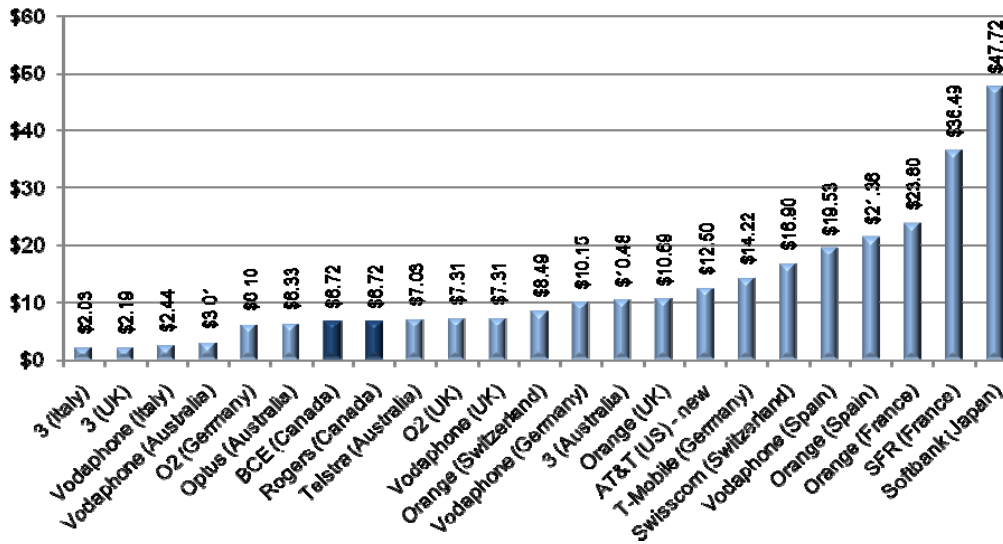
- Bell Canada and Rogers have lower priced data plans for Apple’s iPad than the US, and some of the lowest announced to date.⁶

Figure 10: Entry Level iPad Plans by Carrier (US\$ / Month)



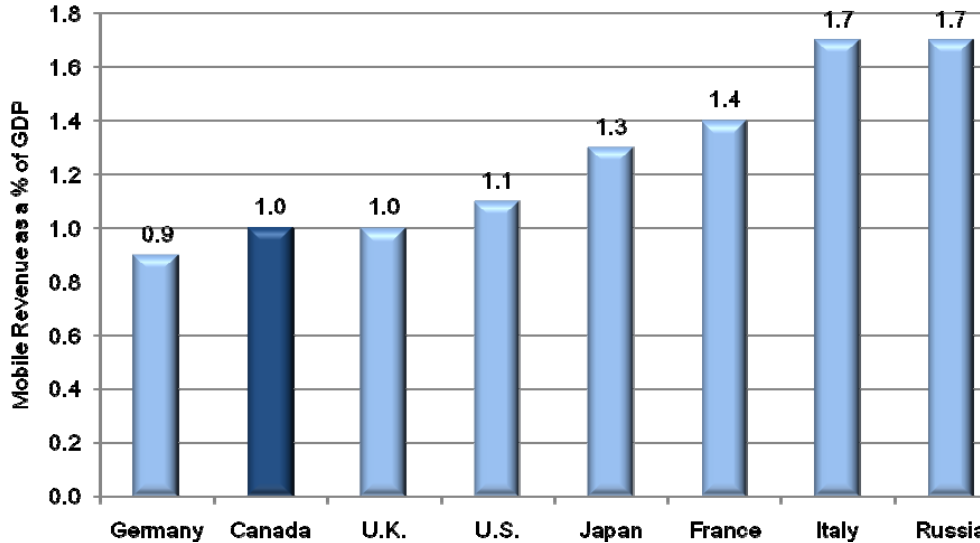
⁶ Bank of America Merrill Lynch *Canadian iPad pricing: Why it matters*, 07 June 2010, Chart 3.

Figure 11: High-Capacity iPad Plans Cost per GB (US\$)



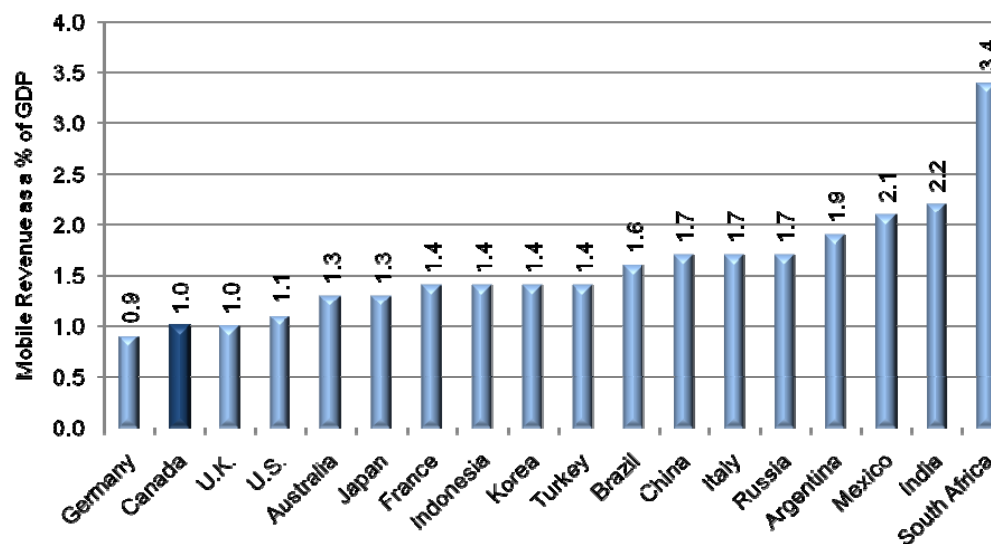
- Canada also has among the lowest mobile service revenues as a percentage of GDP – 2nd in both the G8 and the G20.⁷

Figure 12: Mobile Service Revenue as a % of GDP (1Q 2010) for the G8



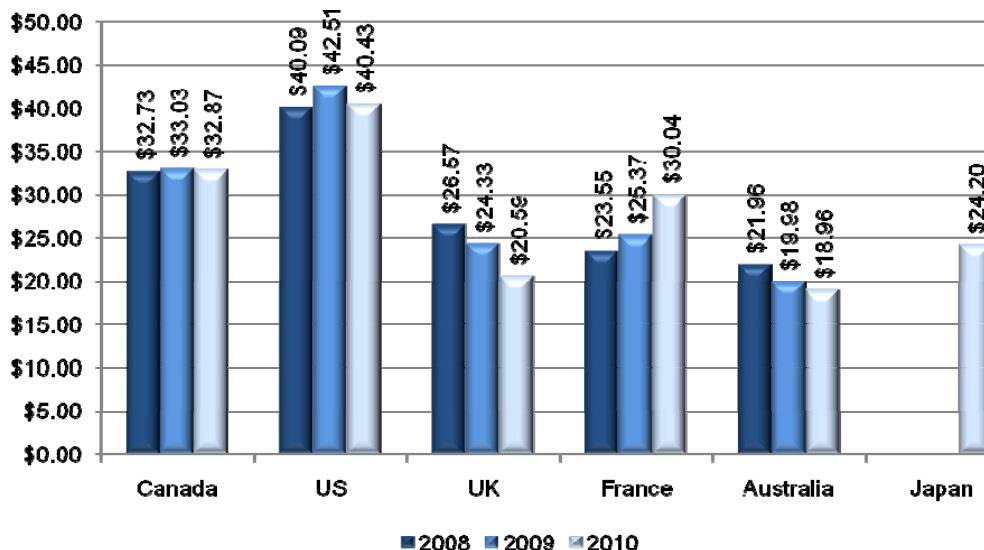
⁷ Mobile revenue as a percentage of GDP is equal to total service revenue divided by total GDP. Service revenues include monthly service charges and usage fees, roaming, long-distance, and subscriptions to mobile data services. Bank of America Merrill Lynch *Global Wireless Matrix 2Q10*, 09 July 2010. Note that this is not the complete G20 since the *Global Wireless Matrix* does not track Saudi Arabia.

Figure 13: Mobile Service Revenue as a % of GDP (1Q 2010) for the G20



- A recent report Commissioned by the Canadian Radio-Television and Telecommunications Commission (CRTC), finds that Canada’s wireless prices compare favourably to other countries.⁸

Figure 14: International Mobile Wireless Prices – Wireless Level 1⁹ (PPP-adjusted CDN\$ per Month)



⁸ Wall Communications Inc., *Price Comparisons of Wireline, Wireless and Internet Services in Canada and with Foreign Jurisdictions: 2010 Update*, 16 April 2010, (Wall Report) available at http://www.crtc.gc.ca/PartVII/eng/2009/8663/c12_200907321.htm.

⁹ See Figure 6 of Wall Report. Level 1 service consists of 150 minutes of use per month, no additional features, no SMS and no data service. 2010 is the first year Japan was included.

Figure 15: International Mobile Wireless Prices – Wireless Level 2¹⁰
(PPP-adjusted CDN\$ per Month)

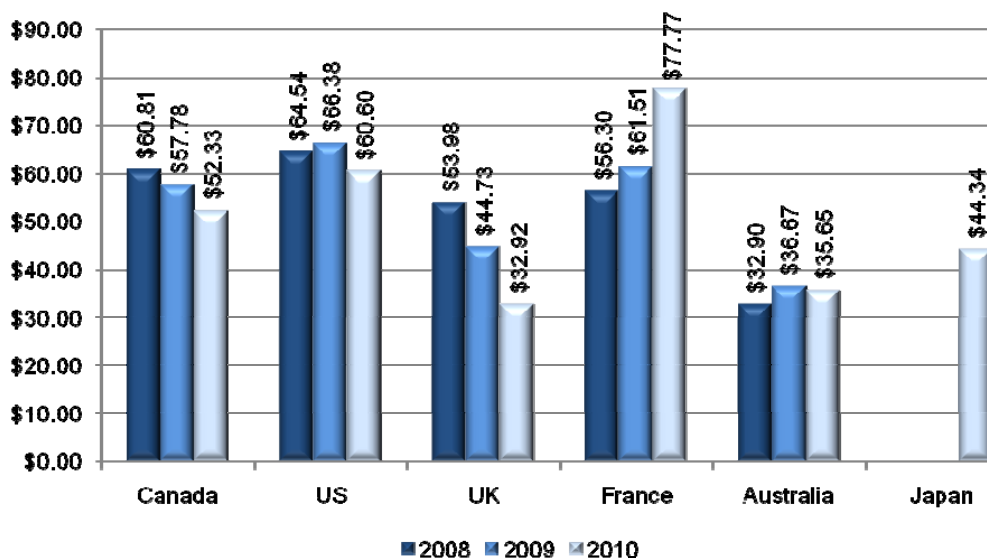
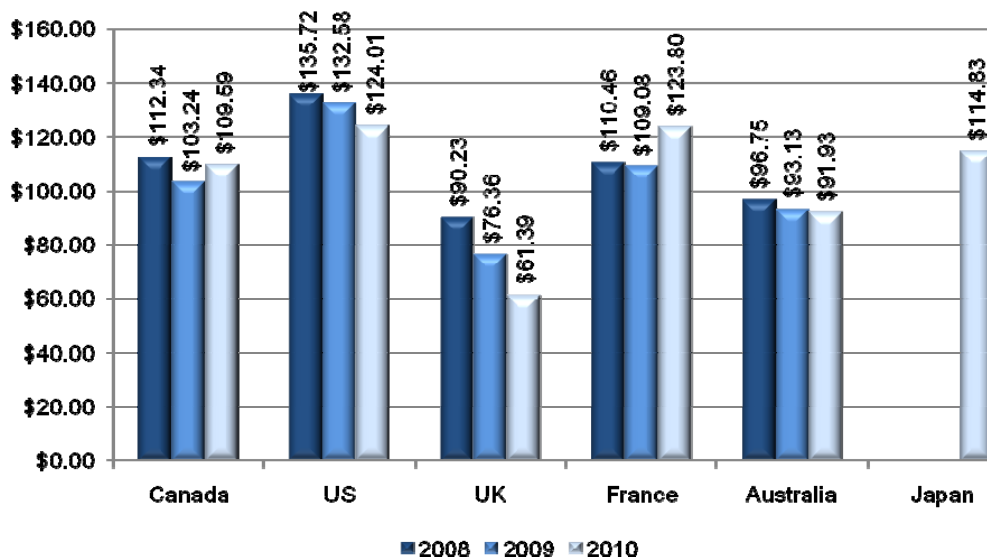


Figure 16: International Mobile Wireless Prices – Wireless Level 3¹¹
(PPP-adjusted CDN\$ per Month)

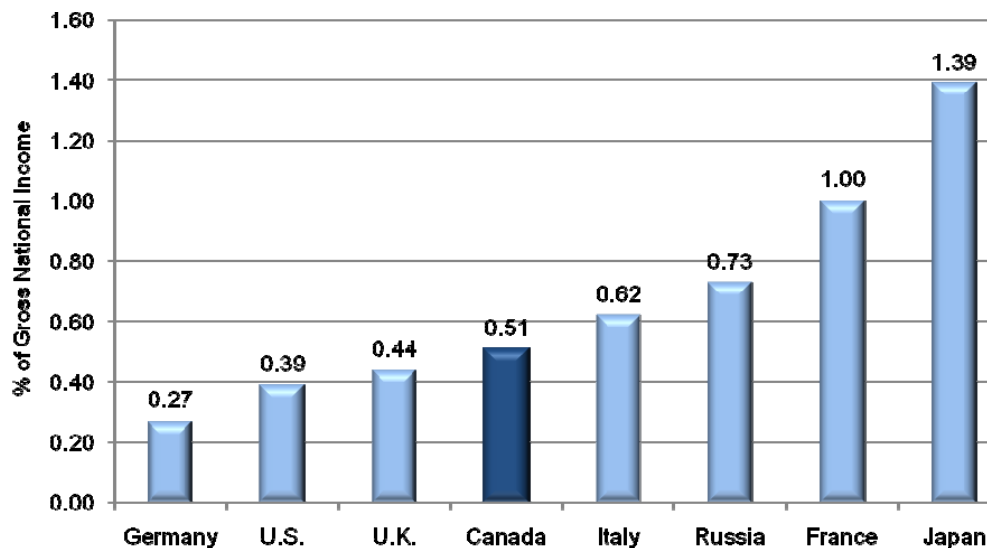


¹⁰ See Figure 7 of Wall Report. Level 2 service consists of 450 minutes of use per month, Voicemail and caller ID, 150 SMS and no data service. 2010 is the first year Japan was included.

¹¹ See Figure 8 of Wall Report. Level 3 service consists of 1,200 minutes of use per month, Voicemail, caller ID and Other, 150 SMS and 1 GB data service. 2010 is the first year Japan was included.

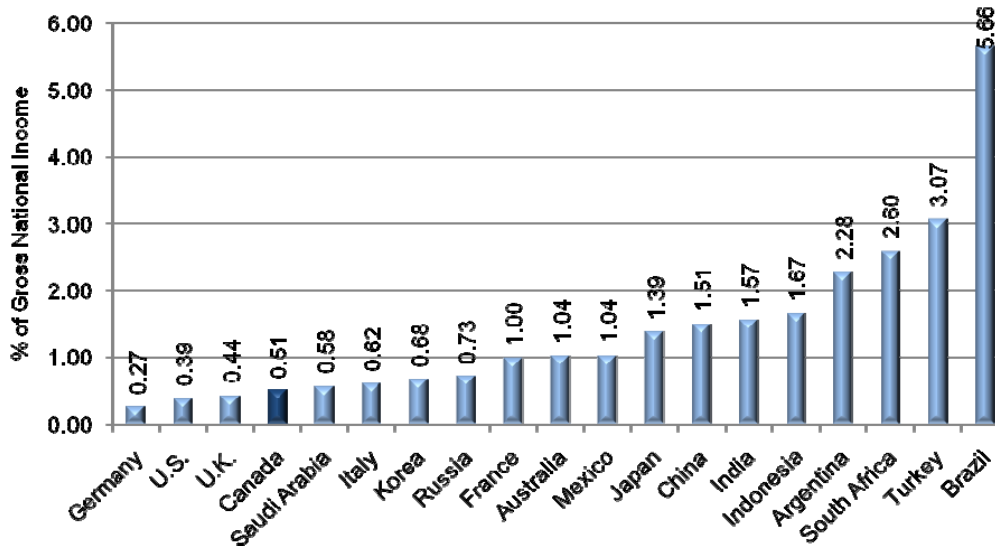
- In terms of affordability, the ITU indicates that Canadians spend approximately 0.51% of their monthly income on mobile services, which puts Canada 4th in both the G8 and the G20.¹²
 - The mobile basket consists of 25 outgoing calls (on-net, off-net and to a fixed line, and for peak, off-peak and weekend periods) in predetermined ratios plus 30 SMS messages.
 - Monthly income is the national average monthly gross national income per capita.

Figure 17: Expenditure on Mobile Basket as a % of Monthly Gross National Income (2009) for the G8



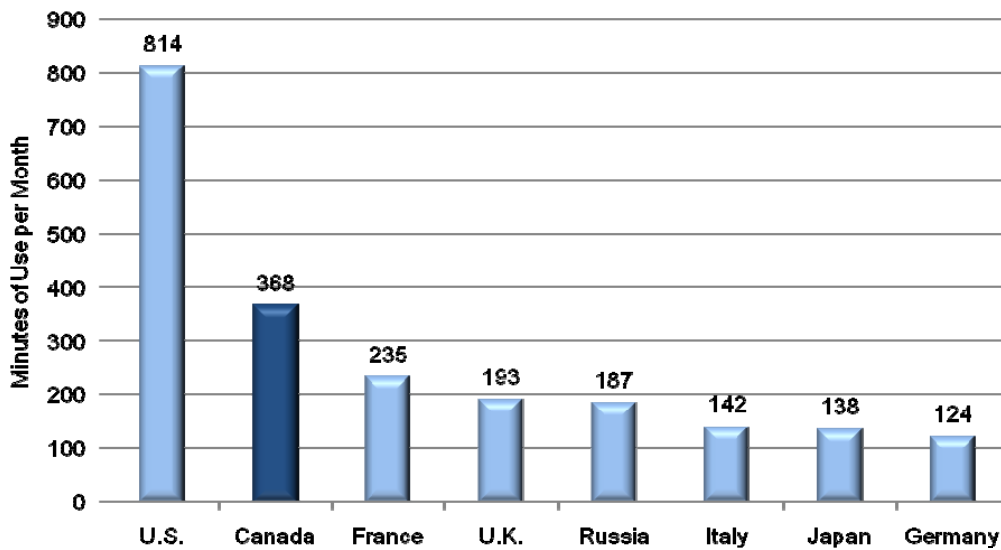
¹² International Telecommunication Union, *Measuring the Information Society 2010*, available at <http://www.itu.int/publ/D-IND-ICTOI-2010/en>.

Figure 18: Expenditure on Mobile Basket as a % of Monthly Gross National Income (2009) for the G20



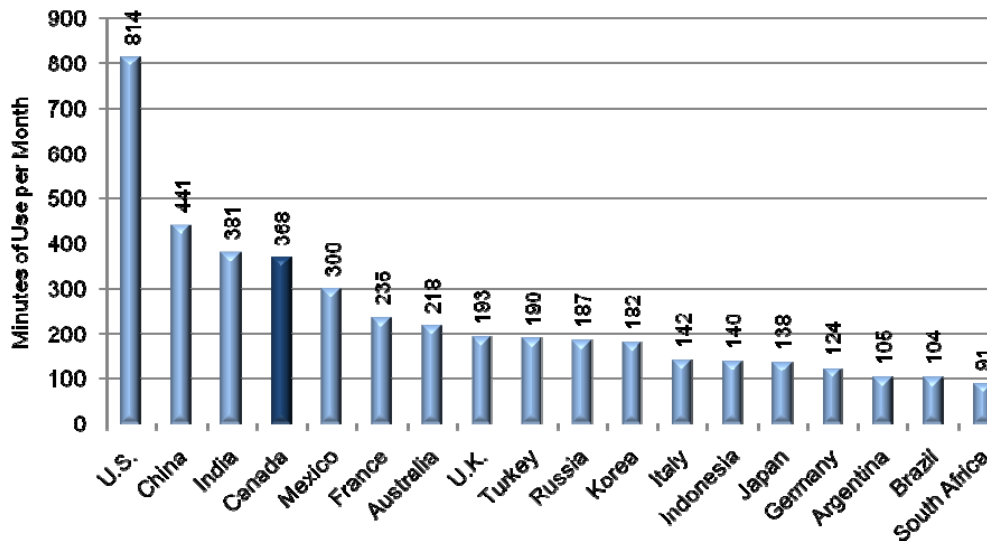
- Canadians use more voice minutes on average than wireless subscribers in the rest of the world other than the U.S., China, and India.¹³

Figure 19: Minutes of Use per Month (1Q 2010) for the G8



¹³ Bank of America Merrill Lynch *Global Wireless Matrix 2Q10*, 09 July 2010. Note that this is not the complete G20 since the *Global Wireless Matrix* does not track Saudi Arabia.

Figure 20: Minutes of Use per Month (1Q 2010) for the G20



Penetration

- Canada's wireless penetration of 85% to 90% in urban centres is similar to the U.S.¹⁴
- Canada has 100 mobile subscribers for every 100 Canadians between the ages of 15 and 64.¹⁵

*** End of Document ***

¹⁴ CIBC *Stress Testing Canadian Wireless: Why Data Growth Holds the Key to Long-Term Wireless Fundamentals*, 14 June, 2009.

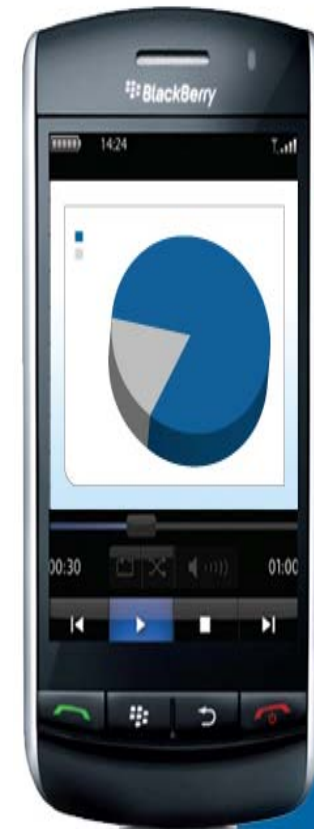
¹⁵ In 1Q 2010 there were 23.2 million subscribers and in July 2009 there were an estimated 23 million people between the ages of 15 and 64. Bank of America Merrill Lynch *Global Wireless Matrix 2Q10*, 09 July 2010, and the CIA World Fact Book.

Canada's World-Class Wireless Networks



Strong investment track record among G20

- **>\$100 capital** investment per subscriber in Canada in 2009
- **2nd** in G8, 4th in G20
- More than **\$17 billion** in capex over 10 years
- More than **\$9.5 billion** in capex in last 5 years
- Approximately **300,000 people** employed directly or indirectly
- Canadian wireless generates **\$39 billion** in total economic value



Source: CWTA report – The Benefit of Wireless Telecom to the Canadian Economy, IDC 2010;
Bank of America / Merrill Lynch 2009, Annual reports

Canada leads G20 in new network technology

HSPA+ not yet available



HSPA+ launched



3 networks

2 networks

1 network

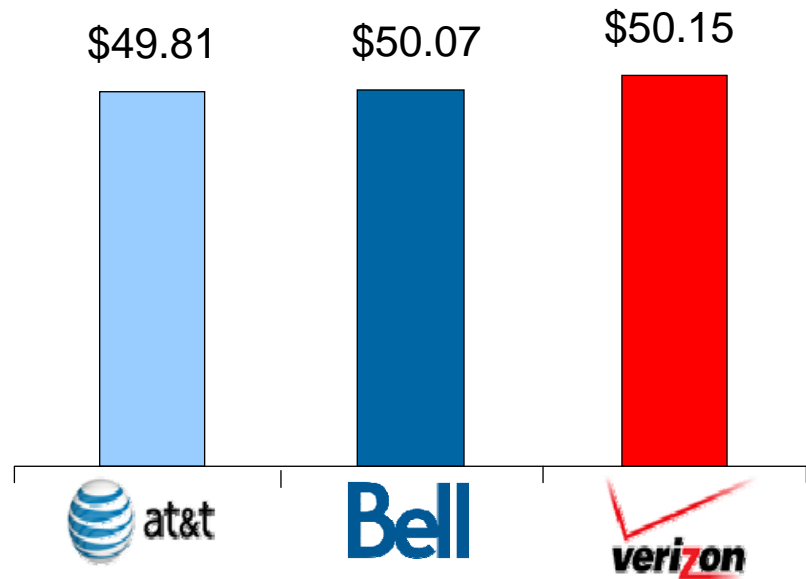
Source: GSA Operator Commitments Survey April 2010



Canadian pricing competitive

- Bell's wireless average revenue per user of \$50.07 **22% lower** than 10 years ago adjusted for inflation
- **\$5.75 billion paid** in AWS and PCS auction fees
- Bell Canada alone pays more than **\$400 million in license and regulatory fees** a year
- Canadian prices for iPad data plans **lower than U.S.**

Average monthly customer bill Q1 2010



**Canadians pay 3rd lowest cost per voice minute in G8,
8th lowest in G20**

High urban wireless penetration in Canada

- Canada has **100 mobile subscribers** for every 100 Canadians between the ages of 15 and 64
- **23 million subscribers** - penetration over **90% in most urban centres** and over **70%** nationally
- **93% of population** in urban and rural areas now have access to high speed wireless broadband

