



July 29, 2010

Director General  
Telecommunications Policy Branch  
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Ottawa, Ontario KIA 0C8

By e-mail to: [telecominvestment@ic.gc.ca](mailto:telecominvestment@ic.gc.ca)

Re: **Opening Canada's Doors to Foreign Investment in Telecommunications: Options for Reform**

The Coalition of Service Industries (CSI) is pleased to submit comments in response to Industry Canada's public consultation on the reform of Canada's current foreign investment policy in the telecommunications sector. We welcome the opportunity to discuss the recognized benefits of open foreign ownership policies to the Government of Canada.

The Coalition of Service Industries is dedicated to the liberalization of international trade and investment in services. Our members include many of the leading U.S. companies in industries ranging from telecommunications to insurance and banking, express delivery, audiovisual services, retail and distribution. All of these services are vital to efficient, competitive economies.

Telecommunications services in particular play a uniquely important role in promoting economic growth and development. Indeed, telecommunications networks and services are the building blocks enabling the knowledge-based economy of the 21<sup>st</sup> century to function, and create the backbone of the Internet and electronic commerce. Many studies amply demonstrate that the development of competitive foreign telecommunications markets brings lower prices and fosters new and innovative services that not only benefit consumers and industries competing in the global marketplace, but also encourage greater world economic growth.

The removal of Canada's market entry barriers will provide foreign-controlled carriers with greater operating flexibility and the ability to compete on a level playing field, thus creating a more efficient and dynamic marketplace in Canada, to the benefit of Canadian businesses and consumers. These barriers have been a longstanding concern for CSI.

Canada continues to limit foreign investment in a facilities-based carrier to a maximum of 46.7%, with exceptions for the ownership and operation of international submarine cables or earth stations that provide telecommunications services via satellite. These foreign ownership restrictions prohibit U.S. and other foreign investors from controlling facilities-based telecommunications carriers, preventing open competition and inhibiting innovation and price competition.

As a consequence of these foreign ownership restrictions, a wholly U.S.-owned operator in the Canadian market continues to be constrained to that of a reseller, dependent on Canadian facilities-based operators

for critical services and network components. These restrictions limit global telecommunications service providers' options for providing high-quality, end-to-end telecommunications services.

Importantly, Canada's recent measures to substantially deregulate its facilities-based telecom market further highlights the need for foreign telecom suppliers and investors to have opportunities for 100% facilities-based telecom ownership. Particularly, Canada is now moving toward general market deregulation to allow market forces to operate more forcefully. However, without applying the same liberalization to foreign ownership restrictions, there will be no competitive safeguards. This disparity could distort the availability of market-based responses to business or consumer needs if the price or quality of network inputs substantially changes in a deregulated market. We fully support market deregulation, but that must include liberalization of foreign ownership policy.

Canada's restrictions in the telecommunications sector are at odds with investment policies in almost all other OECD countries, and a number of Canadian government committees and panels over the years have recommended eliminating them. In 2003, the House of Commons Standing Committee on Industry, Science, and Technology recommended that Canada's restrictions on foreign investment in telecommunications be abolished. In 2006, the Telecommunications Policy Review Panel proposed a phased and flexible approach for eliminating foreign investment restrictions. In 2008, Canada's Competition Policy Review Panel called for a "two-phased" approach to foreign participation in the telecommunications and broadcast industry.

These reviews brought substantial resources, processes and input, as well as the guidance of leading Canadian experts, to the issue. Consistent and numerous advisories to the Canadian Government have acknowledged that Canada retains one of the most restrictive and inflexible set of rules limiting foreign investment in the telecom sector among all OECD member countries, and recognized the drawbacks of this policy.

The experience of more than a decade since the WTO Agreement on Basic Telecommunications has demonstrated that foreign ownership and control restrictions are generally unnecessary and stunt the growth of the telecommunications sector. By contrast, competitive telecommunications markets and pro-competitive telecommunications investment policies have been shown to foster broader economic growth.

The removal or relaxation of Canada's foreign investment restrictions would increase telecommunications market entry and investment in Canada, open broad access for Canadian carriers to international capital markets, and encourage sustainable facilities-based competition in the Canadian telecommunications industry. We, therefore, encourage Industry Canada to completely remove current foreign ownership restrictions for telecommunications.

Sincerely,



Bob Vastine  
President