



Filed via e-mail

Friday, 30 July 2010

Director-General
Telecommunications Policy Branch
Industry Canada
300 Slater St., 16th Floor
Ottawa, ON K1A 0C8

Dear Ms. Miller:

RE: Comments—Industry Consultation Paper on *Opening Canada’s Doors to Foreign Investment in Telecommunications: Options for Reform*

1. I am writing on behalf of GlassBOX Television Inc. with respect to the public consultation that Industry Canada is conducting on options for the foreign investment restrictions in the telecommunications sector.

A. GlassBOX Television

2. GlassBOX Television Inc. (“GlassBOX”) is a digital media company. We own and operate cross-platform digital broadcast and on-demand channels that help give audiences aged 18-34 years old better tools to create great content, promote and distribute that content on all platforms, help their content stand out in the infinite world of the Internet, and take their careers to the next level.

3. Our first channel, BITE Television, is six years old. Its Emmy Award-winning format has played a key role in defining a new generation of multi-platform and interactive television services. Our second channel, AUX TV, is a popular television and Internet home to emerging music in Canada. Additional channels, each of which is paired with a stand-alone Web presence, are currently under development.

B. Barriers to Investment that Constrain Access to Capital

4. We have financed our company in a manner that is unusual for CRTC-licensed broadcasters in Canada: we have worked with venture capital and early-stage financing companies. Although challenging, this approach has allowed us to finance a unique hybrid model for television programming that builds on the adoption and use of digital technologies in Canada’s economy.

5. We ask the government to assist in lowering the barriers which prevent Canadian firms from accessing this type of financing. In improving access to capital in this manner, the

Canadian government has an opportunity to promote competition, innovation and investment in the Canadian broadcasting and telecommunications industries.

6. One type of barrier we have faced is in bridging the administrative cultures of the small-cap finance and the broadcasting sectors. Many of our investors are private, closely-held funds whose required public disclosures under securities regulation are well-defined and limited. The process through which our investors must be certified as Canadians under communications law has, by contrast, been cumbersome. It has involved significant disclosure risks.
7. This has not encouraged private investment. It has detracted from it. Small private equity funds are generally reluctant to disclose internal information to the general public. To the extent that such disclosure is required in order to invest in the communications sector, and is not required to invest in any other sector, investment in the communications sector is implicitly discounted. Our experience suggests that this is the case.
8. A second type of barrier we have faced is the limit imposed by regulation on foreign voting equity. The ability to increase the proportion of voting equity that can be held by non-Canadians, in the context of the existing control framework and without compromising the Canadian control of undertakings, would assist smaller, independent Canadian market participants such as us in accessing further capital.
9. In this regard, we are greatly encouraged by the Consultation Paper's proposal in Option 1, to increase the limit on foreign voting equity in telecommunications carriers and, in particular, broadcasting licensees, to 49 percent.
10. We assume that, under the Option 1 proposal, similar rules would apply in respect of broadcast licensees' parents, whose foreign voting equity cap is currently at 33 1/3 percent.
11. We urge this Committee to seriously consider adopting the Option 1 proposal in respect of broadcasting licensees.
12. All of which is respectfully submitted.

Yours truly,



Raja Khanna
Co-CEO, GlassBOX Television Inc.

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