

**INDEPENDENT BROADCASTERS GROUP/  
LE GROUPE DE DIFFUSEURS INDÉPENDANTS**

**Filed Electronically**

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Ms. Pamela Miller  
Director General  
Telecommunications Policy Branch, Industry Canada  
16<sup>th</sup> Floor, 300 Slater Street  
Ottawa, Ontario  
K1A 0C8

Dear Ms. Miller:

**Re: Consultation on Foreign Investment in Communications  
Options for Reform**

1. These are the comments of the Independent Broadcasters Group/ Le groupe de diffuseurs indépendants (IBG/GDI). IBG/GDI is a group of independent conventional, specialty and pay television broadcasters. Our members include Aboriginal Peoples Television Network, Ethnic Channels Group, Fairchild Television, ZoomerMedia, Stornoway Communications and TV5 Québec Canada. IBG/GDI has a direct interest in the maintenance of a strong, competitive and dynamic Canadian communications industry, including the telecommunications, broadcasting and other content-based digital media sectors.
2. Our members operate 26 distinctive television services in total and provide a complete range of information, public affairs and entertainment programming from Canada and around the world. Our members are known primarily for activities in the broadcasting sector. This sector, as the Department is well aware, is undergoing a transformation. Broadcasting is now the foundation for a range of audio-visual digital media services and our members are increasingly active in all areas of digital media.

**Introduction and Summary**

3. IBG/GDI encourages the Department to develop a made-in-Canada approach to meet Canadian policy objectives for the telecommunications sector. These objectives could include: encouraging more investment in Canadian telecommunications companies, providing ubiquitous access to broadband throughout Canada, and stimulating greater price competition at the retail level together with more service innovation.

4. The Department's consultation paper, *Opening Canada's Doors to Foreign Investment in Telecommunications: Options for Reform* (the "Consultation Paper") is based on the premise that these policy objectives may all be achieved by changing Canadian telecommunications ownership rules. Respectfully, IBG/GDI does not accept this premise. Instead, policy makers should focus on more targeted and less risky actions. Recent economic history has shown that policy makers rely on the "invisible hand" of market forces at their own peril - and that the public consequences of leaving market forces to their own devices can be punitive. In any event, those market forces have no regard for the achievement of public policy objectives, such as the objectives set out above.
5. But, before increased foreign ownership in the telecommunication sector can be permitted, a clear and effective policy must be developed and implemented to ensure that any such change will, not only protect, but *strengthen and improve* the position of Canada's cultural industries in the world marketplace. Otherwise, it is inevitable that Canadians will lose the ability to directly influence the development and growth of our communications sector, which is such a powerful tool for Canadian culture and expression.
6. It is inevitable that large, multinational telecommunications companies will make business decisions based on the requirements of their worldwide interests and not with a primary focus on their Canadian interests. Government regulation to promote Canadian interests and cultural objectives, including the diversity of expression and economic development, will simply not have the same impact in this environment.
7. For these reasons, IBG/GDI supports a made in Canada approach. Specific policy tools are available to help meet policy objectives. Such tools could include, for example: better regulation to encourage competition, financial incentives in spectrum licensing, subsidies to support broadband rollout throughout Canada, and capital investment incentives (such as tax credit programs) designed to encourage innovation in communications technologies.
8. The alternative to a made in Canada approach - ceding Canadian control over our communications infrastructure - threatens Canada's cultural sovereignty in existing broadcast media and in the emerging digital media sector. This threat is heightened because Canada does not yet have a digital strategy in place to counter the potential for non-Canadian ownership, and the powerful market imperatives that come with ownership, to overwhelm Canada's digital economy and our own digital cultural presence.
9. The three options presented in the Consultation Paper for liberalization of foreign ownership are each problematic in their own right.
  - Relaxing broadcasting and telecommunications ownership rules to allow 49% non-Canadian voting ownership will actually tip the balance in

favour of non-Canadian ownership and will not assist to achieve the objective of increasing investment in Canada beyond current levels.

- Assuming that more investment capital is needed in the Canadian telecommunications market, permitting so-called “smaller” telecommunications enterprises (with up to \$4 billion in annual revenue) to access the Canadian market without complying with Canadian ownership rules is fundamentally unfair to existing and emerging Canadian players; this imbalance in treatment is also not sustainable in the longer term.
  - Removing ownership restrictions in the telecommunications sector altogether will, at a minimum, ultimately create intense pressure to de-regulate ownership in the broadcasting distribution sector, with serious consequences to the effectiveness of Canadian cultural policy.
10. More generally, changes to levels of foreign ownership in the telecommunications area are not needed at this time and will not necessarily assist with achieving Canadian policy objectives:
- There is little evidence that more access to foreign capital is a significant problem in Canada - as opposed to establishing more effective rules for competition to encourage new entrants into the Canadian telecommunication sector, which may well be a problem that requires attention.
  - There is no necessary co-relation between increased foreign *ownership* and increased levels of capital *investment*, especially investment that aligns with Canadian public policy objectives.
  - Foreign ownership threatens Canadian policies to advance Canadian interests in the digital media sector by shifting the centre of gravity - including decision-making authority and high-value employment opportunities - South of the border or overseas.
11. Instead of experimenting with changes to Canada’s ownership policies, the far better approach at the present time would be, first, to set out a digital strategy for Canada (a process that is now underway) and, second, to increase competition through smarter regulation and to implement targeted policy initiatives that address specific issues based on the overall digital strategy.

#### **A Made in Canada Approach**

12. IBG/GDI supports a made in Canada approach to meet Canadian policy objectives in the telecommunications sector. We understand that the Government has identified a number of different concerns in the

telecommunications area based on the reports of two panels in the past. The concerns identified include:

- ensuring Canadian companies have access to capital and expertise;
- promoting competition in the telecommunications sector; and
- improving services for consumers.

The report of the Standing Committee on Industry, Science and Technology (the “Standing Committee”), tabled this past June, identifies the apparent higher retail cost of mobile services, and the lower access to and use of mobile services by Canadians in comparison to other markets, as also being factors of concern.

13. Assuming that these issues are not already being addressed through existing market forces, which is a large and unproven assumption, each of these areas of concern could be effectively addressed by specific and targeted policy measures. All of these policy measures could easily be developed within the existing Canadian ownership regime if government action is warranted.
14. First, in the area of access to capital, a key capital expenditure for companies entering the telecommunications market in Canada is the cost of acquiring radiocommunication spectrum. In the recent government auctions for advanced wireless spectrum in the 2 Ghz range, completed in 2008, the total bid price for the auctioned spectrum exceeded \$4 billion.
15. Unfortunately, there is no direct relationship between the amount companies spend on spectrum, and the resources allocated by government to initiatives designed to help companies exploit spectrum to the benefit of all Canadians. In other words, the \$4 billion that companies have spent to acquire advanced wireless spectrum is a cost of entry (or of growth) that is not translated directly into technological or service improvements.
16. It seems reasonable, if access to capital is an issue, and there is considerable evidence to the contrary on this point, to consider whether the current auction process and rules are appropriate and represent an efficient allocation of capital by telecommunications carriers in light of governments’ overall objectives for the sector. It may well be that the cost to companies of accessing spectrum is itself a significant barrier to new and existing entrants alike in expanding and improving services. In any case, before taking such a drastic step as removing ownership rules, we should first come to a definitive answer as to whether there is, in fact, a lack of capital to fund Canadian investment in our telecommunications sector. There could be other issues - such as closed access for new entrants to Canadian financing - that are at play and that affect the capital market for telecommunications companies. It is noteworthy, for example, that Shaw Communications, which has recently

indicated that it is interested in entering the wireless market, raised \$1.9 billion in long-term financing in October and November, 2009 (from Canada).

17. Enhancing competition in the telecommunications sector may also be addressed through other Canadian solutions. The recent set-aside of spectrum for new entrants represents one effective technique to spur new investment in the telecommunications area. If this set-aside approach were combined with incentives to encourage new entrants to compete aggressively (for example, through offsetting direct capital investment in underserved areas against spectrum payments), then it can be expected that the advanced wireless sector would become more competitive at a faster pace than is currently the case. New Canadian entrants can be encouraged and supported with clearly set out policies with an immediate impact on competition.
18. Also, requiring the telecommunications regulator to focus specifically on the competitive issues faced by new entrants seeking to break into the mature wireless market is likely to result in the identification of specific threats to competition. In other words, the CRTC could be directed to implement policies that actively promote a more competitive wireless market-place. As it stands, the CRTC is now more concerned (under direction) to “get out of the way” of competitive forces through de-regulation, rather than focusing on actively promoting competition by addressing apparent market failures - some of which may well have been caused by too rapid de-regulation. This is counter-productive.
19. The CRTC has, in the past, proven itself to be capable of fostering effective competition in the telecommunications market. Long distance service in Canada is now, for example, intensely competitive and bears little resemblance at all to the market that existed when competition was first introduced. This result came about as the result of a concerted effort on the part of the CRTC and other regulatory agencies in government, to ensure that new entrants could become viable in the marketplace and compete against telecommunications companies with huge competitive advantages. Creating a competitive long distance market did not happen overnight, or on its own, and creating a still more competitive market in the wireless sector is, similarly, not going to happen instantaneously. It takes concerted effort and expert regulatory oversight to implement complex policy objectives. This kind of approach is well within Canada’s means and expertise. A focus on smart and effective regulation - to foster more competition - is highly likely to result in tangible results for Canadians throughout our country.
20. Enhancing this kind of competition is more likely than changes in ownership rules to address the other concerns that observers have expressed about the existing wireless marketplace. Indeed, allowing more foreign ownership is just as likely, if not more likely, to result in a *greater* concentration of ownership in the wireless and telecommunications sectors, and *less* incentive to provide enhanced broadband services throughout all of Canada. Foreign owners have no

more incentive to compete vigorously, to provide service in underserved areas, or to roll out new services in Canada, than do the existing Canadian players. In fact, foreign owners that have invested heavily to buy *ownership* (i.e. not to invest in new infrastructure or technology) have every incentive to protect whatever market advantages they currently enjoy and to avoid taking on additional risk. This is a recipe for greater consolidation in the industry, which will harm the achievement of Canadian economic, cultural, and consumer objectives, not greater competition.

21. If the Government wishes to create more competition in the telecommunications sector, and to see Canada at the forefront of innovation, what is needed is a policy that starts with intimate knowledge of the Canadian marketplace and Canadian policy objectives. The next step would be to establish a regulatory, governmental, fiscal and competitive framework - in other words, a digital strategy - that is targeted on the desired policy outcomes. This is what we mean by a “made in Canada” approach.

### **The Digital Media Strategy Should Come First**

22. The inter-play between non-Canadian ownership of our essential telecommunications infrastructure and Canada’s strategy to create a Canadian advantage in the digital economy also needs careful consideration. Canada does not yet have a comprehensive strategy for the digital economy. On May 10, 2010, the Government started a public consultation to assist with the development of such a strategy<sup>1</sup> and the deadline for comments, July 13, 2010, has just passed. IBG/GDI participated in that consultation. The Government is to be commended for taking the lead and starting a discussion among all Canadians on that topic, but policy development based on that discussion can only be in its early stages.
23. One concern that has been expressed in that consultation is how a presence for Canadian expression and innovation, in all of its forms, can be preserved in the international marketplace for goods and services in the digital economy. Ceding Canadian control over the telecommunications networks that lie at the heart of the digital economy - without a clear picture of where we are headed - presents a substantial risk to Canadian initiatives to build a Canadian advantage in the digital economy.
24. In particular, we see three possible areas of risk that would not be present with the existing ownership rules in place. First, non-Canadian owners of telecommunications facilities have every incentive to promote their own digital products and services using those networks. None of those products or services is likely to be Canadian. They do not build on Canadian expertise and know-how. To the extent that they deliver digital media content, non-Canadian services do not reflect Canadian expression or promote the Canadian cultural

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<sup>1</sup> *Consultation Paper on a Digital Economy Strategy For Canada.*

sector. Second, non-Canadian owners, especially owners of large communications companies with substantial interests in other countries such as the United States, are likely to make technological and network decisions based on the requirements of those larger networks, and not their Canadian operations. For Canada, this means that owners will implement network structures and technologies that place Canada in the second position or worse. Canada is more likely to be an afterthought and not the primary market. Third, whatever policy direction the Government decides to take to implement a digital strategy for Canada, the presence of large non-Canadian interests at the heart of our telecommunications infrastructure can only dilute the impact of those policies. Policies that are directed at encouraging investment in Canada, for example, will not have the same effect for non-Canadian companies with vast, capital hungry networks to support, as they would have for Canadian companies for which Canada is their primary market. Increasing foreign ownership will blunt Canada's policy tools.

25. Canada does not yet have a digital strategy in place that could counter these risks. Without such a strategy, the ultimate outcome could well be that Canada's efforts to create an advantage for Canada in the digital economy will be overwhelmed by larger economic forces. At the least, Canada will have played one of the highest cards in our hand - opening up ownership of our own telecommunications infrastructure - without a clear return, and without knowing how it will affect other related areas such as broadcasting and our overall strategy.
26. The first step should be to set out a comprehensive digital strategy for Canada. Once that strategy is better understood and begins to be put in place, it will then be clearer whether it makes sense to relax Canadian ownership rules in the telecommunications sector, and what the potential benefits, if any, to Canada of such a move might be. Until then, the risks of undermining our overall digital strategy are too great.

### **The Three Options**

27. IBG/GDI does not support the three options that have been presented in the Consultation Paper to move forward with the liberalization of ownership rules in the telecommunications sector.

#### *Option 1*

28. The first option involves raising the threshold for foreign ownership at the operating company level to 49% of the voting shares of the operating company. Voting ownership at this level is currently capped at 20% for non-Canadians. (Ownership at the parent company level is less restrictive, though, allowing for 33 1/3% ownership by non-Canadians.) Under this option, ownership rules would be relaxed in both the broadcasting and telecommunications sectors - avoiding the shortcomings of asymmetrical ownership rules.

29. Among the options that have been presented, this option is, potentially, the least harmful. The benefit of this option is that it places the broadcasting sector on an even playing field with the telecommunications sector. It would help to avoid the problems of regulating a converged communications sector under different sets of rules.
30. The shortcoming with the proposal, however, is that it is unlikely to have any impact on the availability of foreign investment to assist Canadian companies in the communications sector.
31. As it stands now, non-Canadian companies are already able to obtain a combined 46.7% voting ownership interest in Canadian telecommunications companies through the combination of interests at the operating and holding company levels. While the proposed change has the effect of increasing the effective voting ownership level for non-Canadians to 74% (assuming maximum non-Canadian ownership of voting shares at the operating and holding company levels) it is unlikely that this combination will result in more capital being made available to Canadian companies.
32. Canadian companies are already able to access capital through the issuance of non-voting, preferred shares. Preferred shares represent a far more attractive investment vehicle to non-Canadian investors in pure financial terms than more voting shares (assuming that the non-Canadian investor already holds voting shares at the existing maximum levels together with the typical minority shareholder protections that are now found in communications company shareholder agreements). The level of participation through non-voting equity has already reached a “high water mark” in excess of 60% of the total equity of Canadian broadcasting and telecommunications companies.<sup>2</sup> In addition, the total equity held through shares may be combined with debt issued by the company and service, trade-mark and technology transfer agreements, resulting in an even greater economic interest held by the non-Canadian. In this environment, increasing voting ownership to 49% is simply not that material a change.
33. In any event, the Standing Committee heard compelling evidence that many Canadian communications companies do not actually take advantage of the *existing* levels of permitted non-Canadian ownership. This fact calls into question the underlying assumptions that Canadian companies need additional

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<sup>2</sup> Goldman, Sachs & Co initial total equity in the holding company that acquired the Alliance Atlantis specialty television services, as approved by the CRTC in *Broadcasting Decision 2007-429* was 65%. Similarly, Orascom, a non-Canadian company, holds a 65% equity interest in Globalive together with significant debt and other contractual rights related to trademarks and technology. This arrangement was approved by the Governor-in-Council in P.C. 2009-2008.

foreign investment, and that permitting them to sell a higher proportion of their voting shares would allow them to attract it if it were needed.<sup>3</sup>

34. It is doubtful, therefore, that the first option would have any appreciable impact on the level of investment by non-Canadians in the Canadian communications sector. While we do not believe it would have an impact, it is still somewhat worrying that non-Canadians would be permitted, by “stacking” direct and indirect ownership interests, to obtain direct and indirect ownership of approximately 74% of the voting interests of Canadian communications companies. If the proposed structure were implemented, it would be necessary to carefully review corporate structures to ensure that the companies remain effectively controlled by Canadians (or, at least, not effectively controlled by non-Canadians).

*Option 2*

35. The second option presented for consideration involves exempting so-called “smaller” enterprises from Canadian ownership requirements. The definition of “small” is a company that represents less than 10% of the total Canadian telecommunications market (meaning a company that has \$4 billion or less in Canadian revenues from telecommunications). We understand that the proposal is intended to allow companies that initially start with less than \$4 billion in annual revenue, but subsequently exceed that amount, to continue to benefit from no Canadian ownership requirements.
36. This proposal is clearly unfair to Canadian incumbent telecommunications companies. Assuming that there actually is a need for access to non-Canadian financing, this policy will hamstring Canada’s leading Canadian communications companies and place them at a significant competitive disadvantage. Moreover, Canadian companies that have recently moved into the wireless marketplace, or that have indicated an intention to do so, will also be disadvantaged in that they will now face competition not only from established Canadian companies, but also from well-financed non-Canadian companies that may now enter the marketplace directly, without a Canadian co-venturer. So, the proposed policy would harm established Canadian companies because it denies them equal access to capital and emerging Canadian companies because it would undermine their position as new entrants in the marketplace.
37. There is, in IBG/GDI’s view, no advantage to Canada to adopt an imbalanced policy for Canadian ownership that favours non-Canadian companies over Canadian companies.

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<sup>3</sup> *Canada’s Foreign Ownership Rules and Regulations in the Telecommunications Sector*, June 2010, 40<sup>th</sup> Parliament, 3<sup>rd</sup> Session, 25-26.

*Option 3*

38. The third option under consideration is to remove ownership restrictions applicable to Canadian telecommunications carriers in their entirety.
39. For reasons that we have outlined in detail in our submission to the Standing Committee, we do not support liberalizing ownership in the telecommunications sector.<sup>4</sup> In a converged communications environment, relaxing ownership in one sector while maintaining it in another is inherently unstable. The pressure to “go the next step” and liberalize ownership in broadcasting distribution, if not in broadcasting entirely, will be intense and probably irresistible. Once the step is taken to remove ownership restrictions on the telecommunications side of integrated telecom and broadcasting networks, it is likely that there will be no way to prevent the ultimate loss of Canadian ownership and control of the entire network.
40. Such an outcome would be terribly harmful to the achievement of Canadian cultural policy objectives and to advancing Canadian interests in the digital economy, with no clear advantage to Canadian consumers. Broadcasting distribution networks are not, as some would have Canadians believe, merely “dumb pipes” that can be subjected to whatever cultural rules Canadians may believe are appropriate. Broadcasting distributors - cable, satellite and wireless distributors - make decisions every day about the content that is delivered on their networks and how it is made available to Canadians. Increasingly, these decisions are going down to the basic level of which programs to offer on a video-on-demand basis, and which services among the many discretionary services that are available but are not yet launched should have a chance in the Canadian market. Canadian distributors are, without a doubt, the gatekeepers that Canadians must go through to see Canadian programs.
41. Policy makers of all political persuasions have all emphasized the importance of maintaining Canadian cultural policies. For example, the Conservative Party of Canada’s opinion on the Report of the Standing Committee stated that “no action should be taken that would compromise the government’s ability to protect Canadian culture and encourage Canadian content.” Liberalizing telecommunications ownership rules, would, however, have precisely this effect.
42. As noted above, once telecommunications infrastructure is owned by non-Canadians, there will be intense and likely overwhelming pressure to “liberate” all broadcasting distribution infrastructure from Canadian ownership restrictions as well. This will place non-Canadians in control as gate keepers over *all* Canadian programs that Canadians can access and see. Ultimately,

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<sup>4</sup> IBG/GDI submission to the Study on Canada’s Foreign Ownership Rules and Regulations in the Telecommunications Sector, 30 April 2010.

since broadcasting distribution undertakings have a profound say in which services get launched and which do not get launched, and how successful those services will be through packaging and promotional activities, non-Canadians will be in key position to control Canadian audio-visual content at its heart.

43. The non-Canadian companies that will have the greatest interest in acquiring Canadian enterprises will be those companies that already have networks and other assets that they can exploit and combine with their new Canadian operations. Their objective will be to maximize the value of their acquired new Canadian networks and subscribers in the distribution and monetization of their own audio-visual content and other digital properties. Canadian content and digital initiatives - especially the content created by the independent production and broadcasting sectors - will be profoundly marginalized in this environment.
44. Our concern is not xenophobic. The issue here is not that non-Canadians would control the means to distribute all Canadian content, but rather that *Canadians* will have lost the opportunity to control our own cultural fate in the digital era and the emerging digital economy.
45. Canadians already have access to a huge amount of non-Canadian content. Already, our Canadian distribution networks are poised to carry *far more* non-Canadian content than they do Canadian content. The CRTC has, under its new rules as set out in its regulatory frameworks for broadcasting distribution undertakings and discretionary programming services<sup>5</sup>, allowed distributors to carry a mere “preponderance” of Canadian services to Canadians starting on September 1, 2011. What this means is that, for the sake of argument, 49% of the available channels will be non-Canadian (carrying virtually no Canadian programs), the remaining 51% of the channels will be Canadian, but between 30% and 65% of the content on most of those channels (depending on the channel) will also be *non-Canadian*. This leaves, for the sake of argument, only about 25% of the available distribution infrastructure available for the distribution of Canadian programs to Canadians! It would be reckless to go further to undermine this already minimal level of content by risking the loss of control of our broadcasting distribution networks to non-Canadians.
46. Canadian policy is simply not well enough developed, and we have not yet examined, seriously enough, how a liberalized telecommunications sector will affect the broadcasting and digital media sectors, to proceed with complete liberalization in telecommunications ownership at this time.
47. The case might be slightly better if Canadian distribution undertakings actually did act merely as “dumb pipes” as some suggest they do. For example, if Canadian distributors were required to divest entirely of their broadcasting properties, and to distribute programming on a non-discriminatory basis and to

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<sup>5</sup> *Broadcasting Public Notice CRTC 2008-100.*

act in a manner that is similar to common carriers, with no vested interests, then the prospect of the loss of Canadian ownership would not be as great. But, this is not the environment in which we operate.

48. In our submission to the Standing Committee, we point out that it is certainly technically possible, and possible from a regulatory point of view, to have different ownership rules in the telecommunications and broadcasting sectors. We will require stronger safeguards to ensure Canadian audiences will be able to access a full and diverse complement of Canadian services and Canadian programming. It is possible, but it is not a good solution. The pressure to allow non-Canadian ownership of Canada's content distributors will be intense and probably irresistible. The better solution is not to place different rules on telecommunications and broadcasting networks.

#### **There is no Need for More Non-Canadian Owners**

49. The liberalization of ownership is neither necessary nor desirable at this time, as is apparent from our comments on the three options presented by the Department.
50. As noted above, the main argument in favour of allowing more foreign ownership is to increase the level of investment and competition in Canada. Yet, there is no evidence that Canadian telecommunications companies are lacking access to non-Canadian capital. Many such companies do not take advantage of the existing permitted levels of non-Canadian ownership and there is no indication that investment in Canadian services and innovation is stalled at this time. Far from it, Canada's existing telecommunications carriers are already investing heavily in advanced wireless and other networks. Government policy, especially when it involves combined initiatives at the federal, provincial and municipal levels, is making great headway in providing services to Canadians in more remote and rural areas. Market forces, regardless of the level of non-Canadian investment, are not likely to provide service in areas that do not, on their own, provide a high enough economic return to warrant the high capital costs of service. There is very little evidence, if any, to support the proposition that Canadian companies lack access to capital to make investments in communications infrastructure, or that more foreign capital would make any difference to the Canadian market.
51. The impetus for change in the communications environment appears to have more, therefore, to do with allowing non-Canadian *ownership* of our communications companies, rather than access by Canadian companies to non-Canadian capital. This is an important factor for policy makers to consider: allowing non-Canadian *ownership* of communications companies does *not* mean access to more capital for Canadian operations. It could well mean, instead, access to less capital and the imposition of corporate strategies that focus on the most profitable and mature areas of the Canadian enterprises, at the expense of the most capital intensive and speculative areas.

52. For example, if a large non-Canadian wireless company were to acquire, say, Rogers Wireless, this large non-Canadian company is just as likely, if not more likely, to cut back market expansion into remote and rural areas in favour of maximizing the revenue from the lowest cost, highest return, largest markets in urban areas. Similarly, a non-Canadian enterprise is just as likely, if not more likely, to cut Canadian employment levels, lay off senior managers and cut R&D in Canada to lower costs as it is to invest in Canadian activities that duplicate its existing efforts. There is, simply, no correlation between increasing the level of non-Canadian *ownership*, and increasing the level of *investment* in and of capital available to Canadian companies. Liberalizing ownership rules will lead to non-Canadian ownership, with absolutely no guarantee of more investment, more competition or better services to Canadians.
53. What we can be sure of, however, is that foreign ownership of Canadian communications companies will shift the centre of gravity - including decision-making authority and high-value employment opportunities - South of the border or overseas. There is, we are sure, no instance in modern times in which a non-Canadian company acquired a Canadian company and *increased* the autonomy, decision-making capacity and key employment opportunities within the Canadian company. If there are any situations in which Canadian investment increased following such an acquisition, then it likely arose from specific government requirements, such as foreign investment review, that imposed Canadian investment obligations as a condition of approval. It is simply not credible to maintain that allowing Canadian communications companies to be taken over by non-Canadian companies will not hurt Canadian employment, and will not have a negative impact on Canadian R&D.

#### **A Digital Strategy for Canada**

54. IBG/GDI appreciates the opportunity to comment on the Department's proposals to relax foreign ownership in telecommunications. At the same time, we believe strongly that the first priority should be to develop and implement a comprehensive digital strategy for Canada.
55. As a first step, it would be helpful for the Government to develop a series of policy options for consideration by stakeholders based on the comments received in its digital economy consultation. These policy choices will allow all Canadians to better appreciate what is, and is not, feasible for Canadians, and what Canada's priorities should be.
56. We are concerned that the liberalization of ownership in the telecommunication sector may be viewed by some as the "panacea" for moving Canada forward in the digital economy. As detailed in this submission, we do not believe that increased foreign ownership offers any solution, or is the best way forward for Canada.

57. Instead, the better approach would be to develop a coherent “made in Canada” strategy. This strategy would be targeted on concrete and achievable goals and would be based on clear rules to encourage vigorous competition. We have suggested a few appropriate initiatives in this submission, such as incentives to encourage the roll out of broadband services to all Canadians, effective regulation to promote competition, and tax-based incentives designed to increase investment. All of these initiatives can be implemented quickly, and can be designed to fit within an overall digital strategy. In comparison, changing Canada’s telecommunications ownership policies is based on speculation and recently discredited “free market” theory and carries with it great risk, not only to Canada’s interests in telecommunications, but also in the cultural sector.

Yours truly,

**[Submitted by E-mail]**

Independent Broadcast Group/  
Le groupe de diffuseurs indépendants