

Q U O I N S C O R P O R A T I O N

MAKING THE CASE FOR FOREIGN INVESTMENT

Bringing Digital Broadband To Canada

QUOINS CORPORATION
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A Lack Of Financing Is Holding Canada Back

Canada has been strangled by the complete lack of equity and debt required to fund a vibrant telecom market. Canada now ranks last in the developed world's mobile phone adoptions, as measured by the OECD (OECD Communications Outlook 2009).

Our Three Options

Canada's Federal Industry Minister, Tony Clement, is moving "... to address this glaring shortfall in our ability to supply both equity and debt to the telecom sector". To do this, three options present themselves:

1. Increase the limit for direct foreign investment in broadcasting and telecommunications common carriers to 49 percent;
2. Lift restrictions on telecommunications common carriers with a 10-percent market share or less, by revenue; or
3. Remove telecommunications restrictions completely.

Quoins Corporation respectfully submits that the third option is the best way forward.

Unrestricted Foreign Investment In Telecom Is Necessary And Inevitable

In 1984 I was tasked with securing the initial funding for *Cantel Cellular Radio Group, Inc.* ("Cantel"). Despite my efforts to raise a total funding of \$20,000,000 at a valuation of \$110,000,000, I was completely unsuccessful. There was not one single Canadian company, pension fund, or individual who would invest in this nascent start-up. Funding, ultimately, came from Ameritech in Schaumburg, Illinois.

At the time, we licensed the initial spectrum for free. *Telus* and *Bell Canada* were also licensed for free.

Today, firms including *Mobilicity*, *Public Mobile* and *Wind Mobile* engage in funding behavior which can only be described as deceptive, in their attempt to work with the legislative regulations. Tony Lacavera, as President of *Wind Mobile*, recently stated, "...it is impossible for a new competitor to build and sustain a national wireless network without a foreign backer", noting he has been dismissed by the major Canadian lenders.

How Local Incumbents Are Maintaining The Domestic Oligopoly

The publicly disclosed intentions of the incumbents to 'hoard' spectrum increase their stranglehold on the industry and restricts industry growth. Companies such as *Look Communications* (purchased in 2008), *Craig Wireless* (purchased in March 2010), *Innashuk* (jointly purchased by *Rogers* and *Bell*) and spectrum for the Fourth Generation of Worldwide Interoperability for Microwave Access (4G Wi-Max/LTE) have been acquired by incumbents and effectively 'shelved'.

Licensed participants of the 4G spectrum auctions have claimed, "hand sets have not been available" and, "IEEE certifications have not been completed". In reality, any contemplative launch of 4G services would supplant announced (and highly promoted) HSPA (+) 3G offerings. In the US, *Clearwire Communications, LLC* and its branded service 'CLEAR' have already implemented 4G Wi-Max in various markets around the United States. Their service has towers, and offers customer handsets, data sticks and data network hubs. It is functioning and billing properly.

The incumbent companies, by implied action, do not wish to develop or deploy new infrastructure if smaller companies are going to have legislated access to the networks they build. In essence, the incumbents build networks that only they can afford without the aid of foreign investment, and then are legislated to share access with smaller companies who compete with them on a retail level. While mobile broadband access is presently limited to companies not planning to deploy it in a timely manner, *Bell, Telus* and *Rogers* should be required to share their new, advanced networks with others that would invest in their development.

Foreign Investment Will Bring Telecom Forward Effectively And Efficiently

Their profit margins and control of infrastructure development capital demand a drastic change to the environment. Independent investing in infrastructure will promote and encourage new and innovative systems to materially improve the services Canadians receive - and the costs that they pay for these essential services.

Five years ago, Industry Canada issued 4G Wi-Max spectrum to be used in advancing wireless broadband delivery. Today, this technology has been commercially deployed in the US while no incumbent carrier in Canada has yet to launch or even begin construction of this spectrum infrastructure. The incumbents have fallen behind in both assessing and proactively meeting consumer demand. International agencies such as the OSCE recognize and report that fact.