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CC:
Subject: Preserving Domestic Competition In The Canadian Telecommunications Industry
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Attachments:

I support increasing competition to spur innovation, lower prices and better service. However, I'm not so sure that simply liberalizing foreign ownership restrictions will, in itself, accomplish this.

Recently in the United States, AT&T raised the prices on some of its wireless data product offerings. Is this a reflection of lack of competition and innovation in the American marketplace ? Or is it simply a reflection of the economic reality that it costs more money to build the infrastructure necessary to provide adequate service to consumers ? In backtracking on their wireless data pricing, it appears that AT&T is actually taking a page from the Canadian playbook !

I appreciate the need for the telecommunications companies to have greater access to capital but I'm concerned that the removal of ownership restrictions could lead to foreign takeovers and/or domestic consolidation which will reduce the number of strong competitors and reduce competition. In other words, there could be 'unintended consequences' that could result in less competition rather than more.

The ongoing evolution of telecommunications technology and some of the policy initiatives undertaken by the current government have combined to make the Canadian telecommunications industry more competitive today than ever. Canada has three financially solid national carriers, two strong emerging regional carriers, and three new entrants. For a country of 30 million people with a challenging geography, that's pretty competitive already.

I think the government deserves credit for its progressive stance on investment and competition but that it shouldn't over-do it. Healthy competition which makes the competitors better is not the same thing as cut-throat competition which can weaken the competitors and the competitive landscape. Similarly, de-regulation should not be taken to such an extreme that it becomes an ideology of anti-

regulation. Extremely de-regulated hyper-competitive industry models in both utilities and banking have spawned disasters in the United States over the last decade, weakening the competitive position of the industries and those who rely on them for services.

By contrast, regulated oligopolistic competition in utilities and banking has served Canada and Canadians relatively well. Canadian banks and publicly traded utilities are world class companies that can access capital because they're profitable investments, not because the investors need permission from our government. (As an aside, I'm sure that all of the Ontario based members of the current Federal Government would agree that encouraging more publicly traded utility companies is a desirable policy objective - except that Ontario Hydro was/is "too embarrassing to privatize"). Regulating utilities ensures their sustainability and their ability to service Canadians on a long term basis. Nobody likes paying their utility bill but it's probably better than the "Enron Alternative". As for banking, a strong case can be made that ownership restrictions prevented industry consolidation and actually preserved domestic competition. Strong competitors, competing in a strong regulatory environment has made the Canadian banking system the envy of the world.

It appears that the competitive landscape of the Canadian telecommunications industry is starting to resemble that of the Canadian banking industry. In both cases Canada has national, regional and municipal competitors. This structure has preserved healthy competition and allowed for the long term development of a world class banking system. Given a little bit more time, the telecommunications industry could evolve similarly.

The current government has been reasonably progressive in its approach to improving the telecommunications industry in Canada. Reducing taxes on new investments, encouraging new participants and employing 'moral suasion' on the incumbents to improve services are starting to have a positive impact. I support the proposal to limit foreign ownership at 49%. This will preserve domestic competition and allow some more time for the current policy initiatives and the ongoing evolution of technology to deliver on the goals of increased choice and innovation, better service and more competitive pricing.

Thank you for your consideration.