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July 30, 2010

Via Electronic Mail to telecominvestment@ic.gc.ca

Director General, Telecommunications Policy Branch
Industry Canada
16th Floor, 300 Slater Street
Ottawa, Ontario K1A 0C8

RE: Consultation Paper on Foreign Investment in Canada's Telecommunications Sector

Dear Director General Miller:

In response to Industry Canada's Consultation Paper notice issued in June 2010, the Telecommunications Industry Association (TIA) and its hundreds of member companies would like to thank you for the opportunity to comment on foreign direct investment limits in Canada's telecommunications sector. TIA represents the global information and communications technology (ICT) industry through standards development, advocacy, tradeshows, business opportunities, market intelligence and world-wide environmental regulatory analysis. For over 80 years, the association has facilitated the convergence of new communications networks while working for a competitive and innovative market environment.

TIA applauds Industry Canada for undertaking a review of its foreign direct investment (FDI) limits in the telecommunications sector through its *"Opening Canada's Doors to Foreign Investment in Telecommunications Options for Reform"* consultation paper.[1] TIA appreciates Industry Canada's leadership to reduce foreign ownership limits and urges it to implement policies that will expand and liberalize foreign investment opportunities in Canada throughout the telecommunications industry that will result in increased deployment of ICTs across a range of platforms throughout the country. Policies that are implemented in a manner that impose regulations equally across all market participants will increase investment, innovation, and customer satisfaction by increasing competition.

The Canadian telecommunications market has consistently evolved to meet new market demands for technological innovation. Over the past two years Canada has laid the foundation for future continued advancement through the issuance of new advanced wireless spectrum licenses, establishing a national broadband initiative, and the entry of a

[1] TIA supports investment policies that apply equally to all telecommunications carriers. As the telecommunications market continues to experience convergence of services (voice, data, video), uniform regulations will ensure a vibrant and dynamic marketplace for ICT services. TIA has misgivings with solutions such as Option 2 which creates asymmetrical market regulations and is administratively difficult.

new fiber-to-the-home service. However, on-going investment will be needed to provide for enhanced services and long-term growth.

Currently, studies suggest that Canada's foreign investment rules are more restrictive than other western countries, and lifting these restrictions would further increase competition and investment in the marketplace.[2] Canadian consumers and enterprises will benefit as additional flow of capital investment into the Canadian telecommunications market will speed up the delivery of telecommunications services further into rural areas and will help lower consumer prices. In respect to broadband, over the next four years, broadband subscriber growth in Canada is expected to average 6.6 percent compounded annually,[3] and has the potential to grow more quickly if FDI restrictions are removed. This would correlate with broadband access spending which is projected to grow from $3.9 billion in 2010 to $5.1 billion in 2013.[4]

Additionally, the telecommunications sector is a very capital intensive sector. Due to a smaller telecommunications venture capital market[5], the additional capital needed will have to come from foreign investment. By liberalizing foreign investment restrictions on common carriers, foreign companies will be free to invest more easily in the Canadian economy, which will act as a major catalyst for growth and development. Such investments will benefit Canada by creating employment, increase purchasing from local suppliers and small businesses, and through paying Canadian taxes.

For example, in the U.S. market, foreign invested companies' total assets equaled $83.174 billion in 2007 and they employed 53,200 local workers.[6] The combined compensation of those U.S. employees totaled approximately $3.745 billion[7], which is an average paycheck of $70,000 per year. In 2006, total U.S. sales for those companies were $26.677 billion, and the U.S. government benefited by collecting approximately $936 million in income tax from the employees of these foreign affiliated companies.[8]

Last, a report by the Organization of Economic Co-operation and Development (OECD) supports the liberalization of foreign investment limits stating that "the presence of foreign enterprises may greatly assist economic development by spurring domestic competition and thereby leading eventually to higher productivity, lower prices and more efficient resource allocation."[9] As an industry that is already globally integrated, Industry Canada should liberalize the FDI limit on telecommunications and broadcast services to

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[2] Industry Canada's own consultation paper acknowledges Canada's restrictive foreign ownership policies.
[3] Telecommunications Industry Association 2010 Market Review and Forecast. Pg. 5-10
[4] Telecommunications Industry Association 2010 Market Review and Forecast. 5-28
[5] Government of Canada SME Financing Data Initiative. http://www.sme-fdi.gc.ca/eic/site/sme_fdi-prf_pme.nsf/eng/00178.html
[6] U.S. Bureau of Economic Analysis. November 2009. *Survey of Current Business***.** Table 19.2. Selected Data of Majority-Owned U.S. Affiliates by Industry of Affiliate, 2007 p. 63
[7] Ibid.
[8] Ibid.
[9] OECD Study 2002. http://www.oecd.org/dataoecd/47/51/1959815.pdf

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benefit all Canadians. Relaxing the limit will reduce delays in the flow of services, increase investment, and promote the development of human capital.

TIA appreciates the opportunity to comment on this consultation paper. If there are any questions concerning the issues we have raised, please contact Nick Fetchko, Director for International and Government Affairs, at 202-346-3246 or nfetchko@tiaonline.org.

Sincerely,

Grant Seiffert
President