

Report: Canada Should Remove Penalties on Foreign Investors

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Much to the dismay of the major Canadian wireless carriers, a new report suggests that doing away with all penalizing rules on any carriers, both foreign and domestic, in the country's upcoming spectrum auctions will actually improve overall competition.

Conducted by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank, the report concludes that if Ottawa wants to provide Canadians with more choice and competition in the wireless marketplace, it should apply the same rules to both domestic and foreign firms operating in Canada and remove restrictions on foreign ownership of telecommunication companies.

"The goal of achieving and maintaining a competitive market is not the same as having a minimum number of competing firms," said Steven Globerman, Fraser Institute senior fellow and Kaiser Professor of International Business at Western Washington University.

The report comes as good news for Verizon, which is reportedly looking to participate in the upcoming spectrum auctions as a way of entering the Canadian market. Meanwhile Telus, Rogers and Bell, the three major Canadian telecoms players, have argued against any policy that would aid foreign entrants to the Canadian market.

Bell, Rogers, and Telus had previously launched a campaign opposing what they said were unfair rules for a January 2014 wireless spectrum auction. The Canadian government has limited each of the three Canadian firms to bidding on only one of four available blocks of wireless spectrum while setting aside two blocks for smaller firms or new entrants.

In the report, Globerman concludes the existing Canadian wireless marketplace is already competitive and that any attempt to entice a fourth major telecom to enter the Canadian market by imposing rules and regulations that disadvantage the existing three large domestic firms will not necessarily improve things.

Instead, Globerman recommends removing the 10 per cent restriction on foreign ownership of Canadian telecoms, broadcasting, and cable companies to allow foreign investors to enter Canada on a larger scale through mergers and

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acquisitions. Such a move, he argues, would increase competition and provide tangible incentives for wireless companies to improve service and pricing for Canadian consumers.

“Relaxing foreign ownership limitations would allow for new entrants to better compete with Canada’s big three telecoms,” Globerman said. “Just the threat of a takeover gives companies a greater incentive to provide customers with better pricing and service.”

The debate over how Canada will handle its upcoming spectrum auctions will likely continue to rage, as Verizon weighs its options for entering Canada.

Earlier this month, reports emerged that Verizon had put the brakes on its move to acquire a pair of smaller Canadian carriers, Wind and Mobilicity. Verizon had reportedly already made a \$700 million bid for Wind and had signed a non-disclosure agreement with Mobilicity.

The Globe and Mail, citing sources familiar with the situation, reported that Verizon will delay its pursuit of Wind Mobile, as well as Mobilicity, until January, after the Canadian auctions.

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