



An open letter to all Canadians

Bell Canada is taking the unusual step of writing to all Canadians today. As the nation's longest-serving telecommunications company, established shortly after Confederation in 1880, we would like to ensure Canadians clearly understand a critical situation impacting their world-leading wireless industry.

Verizon Communications, a \$120-billion US telecommunications giant with 100 million wireless customers, is considering entering the Canadian market. A company of this scale certainly doesn't need handouts from Canadians or special regulatory advantages over Canadian companies. But that is exactly what they get in new federal wireless regulations.

Bell welcomes any competitor, but they should compete on a level playing field. Fair competition is something Canadians demand and something Bell expects too after 133 years of investment in delivering world-class communications services to Canadians.

Accidental advantages for American giants: How we got here

The federal government has recently taken an activist role in regulating Canada's wireless industry. That includes giving various benefits to small startup wireless competitors. With Ottawa's help, the new companies have become part of the vigorously competitive Canadian wireless marketplace.

But the government inadvertently left holes in the wireless rules that would give big US corporations the same extraordinary advantages as the small startups. And all Canadians are on the hook to pay.

Verizon has said it's looking at taking advantage of this unique opportunity. We do not believe a US company 4x the size of Canada's entire wireless industry combined requires special help from Canada. It's profoundly unfair to all Canadians, and Ottawa needs to close the loopholes.

3 loopholes in the rules

Under federal regulations originally designed for startup competitors, Verizon would actually get these benefits...

1. **Verizon would be able to buy twice as much of Canada's airwaves as Canadian companies like Bell can** in an upcoming auction of wireless spectrum – the airwaves that carry your calls and data.

These airwaves are a public resource, and access to them is critical to providing you with world-leading wireless services. When Ottawa auctions off Canada's airwaves for use by telecommunications companies, it gets significant revenues. These are public funds. It is inappropriate for our own government to essentially reserve a public resource for a company like Verizon to the detriment of Canadian companies. In doing so, the government will also reduce federal auction revenue significantly – by potentially hundreds of millions of dollars. A loophole that gives US companies access to twice as much of our airwaves and at a lower cost is an unfair advantage, paid for by Canadians.

2. **They get to piggyback on the networks of Canadian carriers wherever they don't want to invest and build their own.**

Under the rules, Verizon would have the right to offer wireless service using the advanced networks funded by Canadian companies and built by Canadian workers. Industry experts say a Verizon wouldn't need to build its own network throughout Canada, invest in Canada's rural communities or support Canadian jobs like Canadian wireless companies do. Instead, they would concentrate on a few big urban centres, forcing Canadian carriers to do the same while potentially cutting jobs and slashing costs in order to compete.

3. **Verizon can acquire smaller Canadian competitors – but Bell and other Canadian wireless companies can't even try**

American players like Verizon can buy up new Canadian wireless companies like Wind Mobile and Mobilicity at cut-rate prices – including their existing spectrum holdings previously subsidized by Canadian taxpayers. Yet Canadian carriers like Bell are restricted from competing to acquire these Canadian startups, even if the new companies want it to happen. That means Verizon gets them for below-market value.

What did Ottawa get from the United States in return for this unprecedented access to Canada? Nothing. No reciprocity in the US for Canadian companies. In fact, can you even imagine Canadian wireless companies getting preferred access to New York, Los Angeles or Chicago?

3 straightforward ways to close the loopholes

The Bell team is ready to compete with anyone for your business on a level playing field. But big US companies taking advantage of rules designed to help Canadian startups is just not on the level.

To get wireless policy back on track, we propose that...

1. **Canadian wireless carriers should be able to bid for the same amount of Canada's airwaves as Americans can.**
2. **US operators entering Canada should roll out wireless service across the country, just as Canadian companies have.**
3. **If a small Canadian wireless company seeks a buyer, Canadian carriers should be allowed to bid, just as the Americans can.**

US giants don't need special help from the Canadian government, and Canadians shouldn't have to pay their way into the country.

Instead, let's give Canada's own communications companies a fair chance to compete with them.

Sincerely,

George Cope
On behalf of the Bell Canada team

P.S. To learn more about this situation, please visit Bell.ca/PlayFair

We're not the only ones concerned

"Why would Ottawa create a policy environment that favours a U.S. telecom giant and deliberately trashes the shareholders of the major Canadian wireless players?"

*Terence Corcoran, Financial Post,
June 27, 2013*

"But there is no basis for the Commission to give certain large companies a regulatory hand-out ... so they can acquire spectrum... at a substantial discount over the price that would otherwise be received."

*Verizon, Regulatory filing to the FCC on U.S. Incentive Auctions,
March 12, 2013*

"In fact a report published last week commissioned by the CRTC suggested a similar conclusion (that wireless prices have come down meaningfully since 2008) - so we're not entirely sure where Industry Canada is getting its data about the market not being competitive. Then again, the government wouldn't let a little data get in the way of a good lever for getting votes, and that's clearly what is going on here."

*Bob Bek, CIBC World Markets,
July 12, 2013*

"The perception that Canadian prices are high relative to other jurisdictions has been seized upon by the government as an invitation to intervene and deliver lower prices. But the perception is false and the invitation is illogical."

*Dr. Jeffrey Church and Andrew Wilkens of the University of Calgary,
The Globe and Mail,
July 8, 2013*

"...the federal government's anything-goes market interventions to support a fourth carrier have so gerrymandered the rules to favour Verizon sweeping in that any investor seriously interested in buying shares in Canadian telecom companies should be spooked."

*Sean Silcoff, The Globe and Mail,
June 27, 2013*

"This will mean significant layoffs which could easily trump the hiring to be done by Verizon, which besides a needed presence in retail outlets, should be able to initially handle a lot of functions (marketing, billing) from the United States."

*Adam Shine, National Bank Financial,
June 26, 2013*

"Unlike the national incumbents in Canada, we wonder if Verizon has a strategy for wireless broadband in rural markets, a key political consideration for the current Conservative Government."

*Dvai Ghose, Canaccord Genuity,
July 2, 2013*

"We wonder if Industry Canada has really considered the collateral damage that could be caused to a new entrant like Videotron through its wooing of Verizon."

*Dvai Ghose, Canaccord Genuity,
July 18, 2013*