



INTERNATIONAL FEDERATION OF PROFESSIONAL & TECHNICAL ENGINEERS AFL-CIO & CLC

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May 31, 2011

The Honourable Christian Paradis,
P.C., MP, Minister of Industry
C.D. Howe Building
235 Queen Street
Ottawa, Ontario K1A 0H5
Canada

Dear Minister Paradis,

As President of the International Federation of Professional and Technical Engineers (IFPTE), representing upwards of 90,000 workers, including over 15,000 Canadian workers, I am writing regarding the Government's stated goal of relaxing the foreign ownership rules governing Canadian telecommunications. IFPTE, especially the members of IFPTE Local 161, the Telecommunication Employees Association of Manitoba (TEAM), are concerned with efforts to lift the foreign ownership cap.

In its March 3, 2010 speech from the Throne, the Government promised to "open Canada's doors further to...foreign investment in key sectors, including the satellite and telecommunications industries giving Canadian firms access to the funds and expertise they need." Last November then Industry Minister Tony Clement announced that the Harper government was delaying any final decision on this issue to give the government time to determine how to administer a planned 2012 auction of new wireless frequencies (spectrum) for mobile phones. Minister Clement stressed that by the spring of 2011, when the details of the 2012 spectrum auction are finalized, a determination on lifting the cap on foreign ownership would be completed. With the Federal election now complete, workers in Manitoba at MTS Allstream Inc., represented by IFPTE Local 161, TEAM, remain concerned that lifting the foreign ownership cap has questionable benefit to Canada or Canadian workers.

The *Telecommunications Act of 1993* governing the Canadian telecommunications industry, mandates that no more than 20% of an operating company, such as MTS or Bell Canada, can be owned by a foreign company. In 1994, the *Canadian Telecommunications Common Carrier Ownership and Control Regulations* set the minimum Canadian ownership level for ownership at the holding company level at 66 $\frac{2}{3}$ % of voting shares. This meant that a foreign company holding 20% of the voting stock of a Canadian telephone operating company could now also have a 33 $\frac{1}{3}$ % stake in a company that held the remaining 80% voting stock of the Canadian telephone operating company. Multiplying 33 $\frac{1}{3}$ % by 80% and adding 20% leads to the current aggregate direct and indirect foreign ownership limit of 46 $\frac{2}{3}$ %.

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The Harper government has proposed the following three possible options for lifting the current foreign ownership prohibitions:

1. Increase the limit of foreign ownership in telecommunications companies to 49% - Current law, which IFPTE supports, requires the maximum number of voting shares from any foreign interest in a telecommunications company to not exceed 20%. Under this scenario the protections guaranteeing Canadian telecommunications entrepreneurs at least 80% ownership rights in this industry would be reduced by 29% to only 51%.
2. Lift restrictions on telecommunications common carriers with a 10% or less market share – Unlike today, a small telecommunications company with less than 10% of total industry revenues would be exempt from foreign ownership restrictions.
3. Completely remove all foreign ownership restrictions applicable to telecommunications common carriers.

Supporters of lifting the cap contend that allowing unlimited or increased foreign ownership in the industry will lead to cheaper prices and better service for consumers. There has been little to no evidence provided to support this assertion. Further, the allegation that Canadian consumers suffer from a lack of competition is simply not true. Canada already has more competition in the telecommunications industry than any other country except the United States. There are 11 Canadian companies taking advantage of available spectrum, so there is no need to open it up to foreign interests.

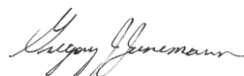
Even the Mulroney government understood the importance of maintaining a strong domestic hold on Canadian telecommunications, saying that, “the government’s longstanding view that domestic ownership of Canada’s telecommunications infrastructure is essential to national sovereignty and security.”

IFPTE urges the Harper Government to rethink its position on foreign ownership by adding the fourth option of maintaining the status quo. In our view, the current law has led to great access and affordable prices for consumers, and helped to create one of the most attractive job industries in Canada. IFPTE believes that lifting the cap at all would reverse the success that has resulted from the current regulations, and could create upheaval for tens of thousands of Canadian telecommunications workers.

For these reasons IFPTE is opposed to lifting the cap on foreign ownership of Canadian telecommunications companies. In this regard, our union stands ready to work with you and your colleagues on Parliament Hill on this important issue.

I thank you for your consideration. Should you have any questions, or to confirm a meeting, please contact IFPTE International Representative, Dee Gillies, at (204) 984-9472.

Yours sincerely,



Gregory J. Junemann,
President