

Bell Canada's Second Round Submission to the
Telecommunications Policy Review Panel

Introduction

September 15, 2005





September 15, 2005

Dear Madam and Sirs:

On behalf of Bell Canada, I would like to express my appreciation for the work of your Telecommunications Policy Review Panel, and to thank you for the continuing opportunity to participate in these consultations.

Lawson A.W. Hunter
Executive Vice-President
& Chief Corporate Officer

It is a testament to the importance of the issues you are examining that your call for submissions resulted in more than 100 thoughtful and detailed responses. It also highlights the timeliness of your review.

Bell Canada has carefully read and digested all the submissions and reflected on our own positions in light of the views of others.

We were gratified to discover that the overwhelming majority of respondents share our belief in the need for changes to telecommunications policy. The stark truth is that Canada's one-time leadership in this pivotal industry has slipped, threatening our competitive position, our productivity and, as a result, our standard of living.

And so, as other countries have recognized before us, we have no option. We must modernize our approaches to information and communications technologies, especially telecommunications. We must act boldly and without delay.

Bell Canada looks to you to capture the sentiment of Canadians – the consensus for change, the appetite for progress, and the growing impatience with policies that have not kept pace.

I have attached our reply comments, which I hope and trust you will take into account as you conclude your deliberations.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Lawson A.W. Hunter".

Bell Canada
Floor 14
110 O'Connor Street
Ottawa, ON K1P 1H1

Telephone: (613) 785-6650
Facsimile: (613) 785-2182

OVERVIEW

1. The position papers submitted during the Telecommunications Policy Review Panel's public consultations revealed a rich diversity of perspectives on the future of the sector, along with interesting insights into the place of information and communications technologies in Canadian life.
2. But for all the variety, there was substantial consensus around some key observations. There can be no doubt, for example, that when it comes to ICT and telecommunications policy, Canadians are certain that the *status quo* is no longer acceptable.
3. This paper elaborates on our submission to the Panel in light of those made by other parties. It sets out Bell Canada's analysis of the bold changes that Canada must be willing to undertake. While we are encouraged by the supporting voices heard regarding ICT policy, we want to address some key differences between our position on regulatory policy and the suggestions of some others.

*

4. As **Part 1** of the second round submission explains, there is compelling evidence that Canada's productivity has stalled, causing us to lag behind key trading partners, particularly the United States. The gap has been widening in recent years, threatening Canada's prosperity and our standard of living.
5. To stop the productivity gap from becoming an unbridgeable chasm, Canada must develop a comprehensive national policy on ICT, with structures and processes that would raise the industry's prominence, sharpen decision making, and better track the nation's performance.
6. The policy would also rebalance the roles of the public and private sectors. The government has certain clear and narrowly defined functions, including supporting and facilitating private-sector efforts to reinvigorate ICT.
7. Bringing broadband Internet access to every Canadian home is an example of the kind of project the private sector could well achieve on its own within a reasonable timeframe. The government could choose to use public funds to expedite the process. While we applaud the goal, we oppose the use of regulatory measures to achieve it.
8. Research suggests that more than half of the productivity gap between Canada and the United States stems from the more vigorous adoption of ICT by American individuals, institutions and industry. It stands to reason, therefore, that Canada could revive its flagging productivity by more aggressively promoting the development and use of ICT, especially among small and medium-sized enterprises. Targeted amendments to existing capital cost allowance rules are just one example of a workable incentive strategy.
9. A range of other proposals were submitted to the Panel on ways to strengthen the ICT industry. A more co-ordinated approach to research and development would be

beneficial, for instance, as would a commitment by government to serve as a model user of ICT.

*

10. The regulation of telecommunications is another government policy lever the use of which should enhance consumer welfare and not impede the sector's growth.
11. Telecommunications are critical to Canada's economic and social well being. A majority of parties agreed with our position that the sector's development has been hobbled by a regulatory regime that is needlessly restrictive, intrusive and costly.
12. Our assessment is bolstered by public opinion research showing that Canadians believe the sector to be very competitive already, needing only light-handed supervision by government.
13. Indeed, telecommunications regulation should permit this mature sector to operate with a minimum of interference, unless there is proof that the market has failed consumers. Such a streamlined approach is consistent with the Government of Canada's Smart Regulation agenda. It should also recognize the rapid evolution of the underlying technologies and allow providers to better serve the needs of their customers.
14. **Part 2** of this submission provides Bell Canada's response to others' regulatory proposals, and reinforces our vision of a next-generation regulatory regime that would restore the vibrancy of the telecommunications sector.