December 20, 2006

Len St-Aubin
Director General
Telecommunications Policy Branch
Industry Canada
300 Slater Street, 16th Floor
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Email: telecom@ic.gc.ca

Dear Mr. St. Aubin:

Re: Canada Gazette, Part I - December 16, 2006

Order Varying Telecom Decision 2006-15 – Local Forbearance

I am writing on behalf of Canadian Manufacturers & Exporters (CME) with respect to the Gazette Notice on the proposed Order to vary Telecom Decision 2006-15 – Local Forbearance.

Canadian Manufacturers & Exporters is Canada's largest trade and industry association. Its mandate is to promote the competitiveness of Canadian manufacturers and enable the success of Canadian businesses in world markets. CME takes a strong interest in telecommunications policy and regulation, from the perspective of both the manufacturers of telecommunications equipment and the competitiveness of Canada’s manufacturing sector as a whole. Last year, CME made submissions in both rounds of the consultation process of the Telecommunications Policy Review Panel.

In CME's view, Canada's telecommunications policy must become an enabler of business growth, economic competitiveness, and productivity enhancement. The Information and Communications Technologies (ICT) sector, including telecommunications, is critical to the overall competitiveness and success of Canadian business. Manufacturing has been the sector that has gained the greatest productivity benefits from investments in advanced ICT-driven technologies. We are therefore very supportive of the Government's proposed Order to reform local telephone regulation.

With the revised framework in the proposed Order, the Government intends to stimulate competition and innovation. CME endorses the framework which includes the removal of restrictions on “winbacks” and promotions. For the benefits of competition to be realized, all providers must be allowed to respond to competitive behaviour and contribute to a competitive dynamic in the marketplace. The revised framework recognizes the degree of competition already evident in the local phone market in many cities across the country. The Government has determined that sufficient competition exists already to allow for deregulation to proceed more quickly.
CME endorses the Order Varying Telecom Decision CRTC 2006-15 and highlights its strong agreement with the following statements in the Order, namely, that:

- “the evolution of competitive telecommunications markets in Canada has accelerated with the deployment of Internet Protocol technology”;
- “it is important to adopt simple and streamlined criteria for de-regulating the services of incumbent telephone companies in order to avoid imposing an unnecessary regulatory burden that could deny or delay the benefits of competitive rivalry to consumers”;
- “the use of mobile wireless technology by consumers is increasing and will likely continue to increase, and that for many consumers the exclusive use of mobile wireless services is an increasingly cost effective alternative to wireline local exchange services”;
- “the removal of marketing restrictions imposed by the Commission on ILECs will foster an increased reliance on market forces and enhance competitive market rivalry; and
- “retail local exchange services, for which forbearance is granted under section 34 of the Act based on the criteria set out in this Order, will be subject to competition that is sufficient to protect the interests of users and will not unduly impair the establishment or continuance of a competitive market.”

The Order is a critical signal by the Government that market forces, not regulation per se, must be allowed to drive the evolution of telecommunications services. CME shares the Government’s belief that “innovation will be encouraged as a result of more intense competition between traditional telephone companies and their competitors.”

In CME’s submission to the TPR Panel in August 2005, we noted that “managed ‘markets’ cannot yield the dynamic changes that are a key benefit of real competition.” We also recommended that Canada’s telecommunications policy should ensure that regulation would only intervene in exceptional circumstances where clearly required. The Government has recognized this too, and is acting with a positive response to one of the Panel’s recommendations.

In conclusion, CME endorses the proposed Order to accelerate the deregulation of the local phone market. We believe it is in line with the direction of the Telecom Policy Review Panel’s report and represents a significant element of substantive policy reform for Canada’s telecommunications sector. Reforms such as this are in the interests of Canada’s international competitiveness, business success, and productivity growth.

Yours truly,

Jayson Myers
Senior Vice President & Chief Economist

cc. The Honourable Maxime Bernier, Minister of Industry