

99 Metcalfe Street, Suite 1202
Ottawa, Ontario K1P 6L7

99, rue Metcalfe, bureau 1202
Ottawa (Ontario) K1P 6L7

July 20, 2009

The Hon. Tony Clement
Minister of Industry
C.D. Howe Building
235 Queen Street
Ottawa, ON, K1A 0H5

Re: Notice No. DGTP- 004- 09 – Petitions to the Governor in Council concerning Telecom Decisions CRTC 2008- 117 and CRTC 2008- 118, Telecom Regulatory Policy CRTC 2009- 34, and Telecom Order CRTC 2009- 111

Dear Minister Clement:

I am writing on behalf of the 105,000 small- and medium-sized business owners who are members of the Canadian Federation of Independent Business (CFIB), regarding our concerns with the recent decision by the Canadian Radio-Television and Telecommunications Commission (CRTC) to deregulate certain aspects of the broadband sector. We are particularly concerned about the so-called “essential services” decision 2008-118, which eliminated the need for incumbent telecom companies such as Bell and Telus to provide competitors access to their Ethernet networks at a fair cost-plus wholesale price.

As you may know, CFIB is the largest business organization representing entrepreneurs in the country. As SMEs are such an important component of Canada’s economy and society, it is imperative that government policies consider the impacts on this group. Our members are adversely affected by this decision in two distinct ways.

The first and most obvious way that this decision could have an adverse impact on our members is the fact that the majority of our membership are consumers of broadband internet service, and rely on affordable broadband internet access to compete in the modern economy. According to CFIB’s 2007 Telecom Survey, 91% of our members use broadband internet services regularly in their business dealings. More importantly, only 49.4% of our members felt at that time that there was sufficient competition in the marketplace. This decision will undoubtedly have a further adverse impact on market competitiveness, given that incumbents such as Bell and Telus hold 88% of the local access market share for businesses (based on submissions made to the CRTC by MTS Allstream and other smaller ISPs). The fact that nearly half of our members were already dissatisfied with the state of telecom-sector competitiveness speaks to the need to continue fostering competition in this sector.

In addition to our general membership’s stake in the matter, a number of our members are independent internet service providers (ISPs) who risk losing their businesses if the incumbent providers are allowed to deny them access to the national broadband infrastructure at a fair cost-

plus wholesale price. It is our understanding that the incumbent telecom providers have been the recipients of many years worth of government subsidies (or Crown Corporation status), monopoly status, tax breaks, and favourable deals that have allowed them to build a national network infrastructure from which they can build up a sufficient network to supply broadband anywhere. We therefore strongly disagree with Bell and Telus' position that there are no barriers for competing carriers installing their own fibre networks.

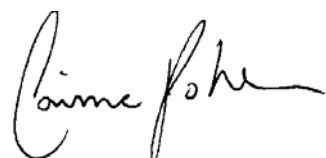
Essentially, Bell and Telus are relying on their large, pre-existing infrastructure to support their transition to fibre-optics, while simultaneously insisting that any new entrant into the marketplace should be able to create a viable national alternative without the use of a government-subsidized ubiquitous network to fall back on. It is our understanding that even Bell is reluctant to build fibre in British Columbia so that it can compete with Telus, so how is a small business supposed to enter or remain competitive in this market without a fair cost-plus model to work with?

Beyond these issues, however, rests the real problem of how to foster competition in a vital sector of the economy where the incumbents control 88% of the market. The cost-plus-15% model advocated by MTS Allstream and other petitioners is a fair compromise that allows Bell and Telus to cover their expenses and receive a reasonable profit margin, while still giving new entrants a chance to compete in areas such as service innovation, customer service and reliability. Given the nature of large, multi-billion dollar internet networks and the many years required to duplicate infrastructure and create a viable competitive alternative, this simple, cost-effective and fair model is by far the most logical choice for fostering competition and growth in the broadband telecom sector.

CFIB believes that the only workable solution to this problem of competitiveness and fair access is for Cabinet to overturn this decision by the CRTC, and mandate "conditional essential" status for local internet access networks. We urge you to act quickly and restore stability and confidence to this sector, so that Canadian ISPs can continue to grow and innovate in this vitally important sector, and SMEs across the country can continue to count on a competitive market for their growing broadband needs.

Thank you for your attention to this matter, and I look forward to your response.

Sincerely,



Corinne Pohlmann
Vice-President National Affairs

cc: Hon. Diane Ablonczy, Minister of State for Small Business and Tourism
Mr. Marc Garneau, Liberal Critic for Industry
Mr. Brian Masse, NDP Critic for Industry
Mr. Robert Bouchard, Bloc Québécois Critic for Industry, Small Business and Tourism
Mr. Richard Dicterni, Deputy Minister, Industry