

ITAC's Response to the Telecommunications Policy Review

Second Round



September 2005

ITAC is the voice of the Canadian information and communications technology industry. Together with its affiliated organizations across the country, the association represents 1300 companies in the information and communications technology (ICT) industry in all sectors including telecommunications and Internet services, ICT consulting services, hardware, microelectronics, software and electronic content. ITAC's network of companies accounts for more than 70 per cent of the 566,000 jobs, \$130 billion in revenue, \$5.2 billion in R&D investment, \$20.7 billion in exports and \$11.5 billion in capital expenditure that the sector contributes annually to the Canadian economy.

1. The Information Technology Association of Canada (ITAC) is one of many parties that filed comments in the first round of the work of the Telecommunications Policy Review Panel. That round drew out a considerable amount of useful material for the Panel's consideration, and we do not propose to add to or revisit what was said in most areas.

2. ITAC will, however, take the opportunity to note that we were glad to see many parties calling for a national strategy to address Canada's lagging adoption of information and communication technologies (ICT) as a national priority. ITAC will also provide brief comments on a small number of other issues.

A National Strategy for ICT Adoption (Section E)

3. There is broad recognition that investment in ICT is a key enabler that increases productivity in sectors across the entire Canadian economy. While Canada's record has been positive, it is clear then that we are lagging our most important competitor and research shows that more than half of our 'productivity gap' with the US is attributable to a lack of investment in ICT.

4. Results to date from our current research shows that the gap in ICT adoption is not only the cause of the productivity gap, but is amazingly large. This increases the importance of addressing the issue. (As noted in our first-round response, ITAC will be pleased to share the final results with the Panel as soon as they are available.)

5. ITAC believes that Canada should develop and implement a national strategy to ensure that we are able to seize the opportunities presented by ICT to enhance our competitiveness and secure our future prosperity. If we fail in addressing this fundamental competitive challenge we will simply not have the means to adequately address our other national priorities.

More or Less Regulation? (Section B)

6. While ITAC senses general support for the idea of a forward-looking national strategy, some submissions have called for additional regulation of telecom, including extending it to internet service providers, and introducing a telecom ombudsman. This seems, to ITAC, to run counter to the direction of our industry – more competition and accelerating technological change. In these circumstances it will be more efficient and effective in the end to let the market adapt and deal with important new challenges rather than try to regulate a fluid state of affairs.

Facilities-Based Competition

7. Another set of anomalous submissions, from the Coalition for Better Competition, IMCAIP and others, argued against what is generally viewed as the most successful element of Canada's telecom policy over the last decade – the implementation of

facilities-based competition. They would instead have us copy either the mistakes made in US regulation during this period or the model adopted in European countries like the UK that have been unable to develop satisfactory facilities-based competition. In Canada, there is no doubt that focusing on unbundling and lowering wholesale prices actually impedes both investment and the development of facilities-based competition.

Completing the Implementation of Broadband (Section D)

8. Canada has an enviable record in access to broadband and advanced ICT. Still, access to broadband is so critical as an enabler of social and economic development that it is imperative that we finish the job of providing access to all Canadians. With the progress that has been made to date, and the availability of advanced technologies, full implementation can best be achieved through reliance on the market.

9. Newer technologies will help decrease the remaining gaps in coverage; costs will be less onerous, and public funding can be limited to topping up to accelerate implementation in some instances. In any event, public funding should come from general tax revenues.

10. ITAC sees bridging the digital divide as a societal responsibility that should be funded by government rather than by the telecom carriers and their customers. The private sector will of course work with public-sector partners to build the necessary facilities, and will provide a wide range of services via those facilities.

11. ITAC recognises that although technology will help narrow the digital divide, companies serving remote, sparsely populated and scattered areas of the country, will continue to face tremendous challenges in maintaining and expanding existing and new services, including broadband. The solutions adopted in these areas should reflect the particular economics of the territory.

Rights of Way and Access to Buildings and Structures (Section B.14-16)

12. The Federation of Canadian Municipalities is proposing to diminish the CRTC's role in terms of rights of way and to increase the size of payments that telecom service providers need to make. This would be the wrong direction for Canadian telecom policy to take.

13. The legal provisions and the underlying policy for the CRTC really date back to the start of the 20th century, when the building of a national railway system and a national telecom infrastructure were important national priorities. There is no doubt that an advanced telecom infrastructure is today at least as important in terms of impact on social and economic progress. It would certainly be illogical to do a policy reversal that would impede – and run counter to – this important priority.

14. ITAC recognises the fiscal pressures facing municipalities, but would say that the way to address those pressures is not by impeding development of or investment in

telecom infrastructure. The Real Property Association also makes recommendations that would diminish the importance of telecom – whereas what is needed at this time is a policy framework that reinforces that importance.