



TELUS

Submission of TELUS Communications Company for the
Competition Policy Review Panel

January 18, 2008

Table of Contents

Table of Contents.....	1
Introduction.....	2
Canada on the Offense.....	Error!
Bookmark not defined.	
Competition Policy – Striking the Right Balance	Error! Bookmark not defined.
Foreign ownership restrictions for telecommunications carriers and broadcasting distribution undertakings are unnecessary	8
Canada’s telecommunications regulatory policy has limited innovation and competition.....	8
Canada as the Global Destination for Top Talent.....	10
Demographics and technology leading to borderless competition	10
Global excellence in talent development	10
Third party recognition of TELUS’ leadership.....	11
How the Federal Government can help to ensure Canada leads the way	12
TELUS is committed to this journey.....	13
Coherent Labour Policy.....	13
Public and Private Partnerships Deliver Innovation and Growth.....	14
Stronger Communities Make a Stronger Canada.....	15
Benefits to Canada:	18
Recommendations	18
Action Plan.....	18
Common National Securities Regulator.....	18
Requirement for security holder approval to issue shares on acquisition.....	19
Conclusion.....	20

Introduction

1. TELUS Communications Company (“TELUS”) is pleased to participate in the consultation process initiated by the Competition Policy Review Panel (“Review Panel”) to examine Canada’s competition and investment policy framework in this era of rapid globalization and international competition. TELUS understands the Review Panel’s mandate is primarily to:
 - provide recommendations to the government on how to enhance Canadian productivity and competitiveness, as these are keys to generating wealth and creating the jobs and opportunity in a fast-changing global economic environment;
 - examine a range of issues to ensure that Canada’s policies are modern and effective, and reflect a competitive environment that is global in scope; and
 - provide recommendations to the government on ways to establish the domestic conditions that both encourage Canadian firms to be active and aggressive investors at home and abroad, and maximize Canada’s attractiveness as a destination for new investment and talent.
2. TELUS commends the government for initiating this review and thanks the Review Panel and its Secretariat for taking on this important work. TELUS wishes the Review Panel well in its deliberations and would be pleased to offer any additional assistance that may be considered to be helpful.
3. TELUS is a leading national telecommunications company in Canada, with \$9 billion of annual revenue and 11 million customer connections including 5.4 million wireless subscribers, 4.4 million wireline network access lines and 1.2 million Internet subscribers. TELUS provides a wide range of communications products and services including data, Internet protocol (IP), voice, entertainment and video.
4. TELUS’ strategic vision is to unleash the power of the Internet to deliver the best solutions to Canadians at home, in the workplace and on the move. TELUS’ strategy for growth is to focus on its core telecommunications business in Canada. While TELUS’ strategy is focused on its core business in Canada, it aspires to be favourably compared to its global peers and not simply its Canadian competitors.
5. In aggressively executing on its strategic vision, TELUS has moved beyond being a regional telecommunications company based in British Columbia, Alberta and Eastern Quebec, to become a national telecommunications company. In pursuit of that strategy, TELUS has made significant investments in building national networks and capabilities across data, Internet protocol, voice and wireless. Indicative of its execution on that strategy is TELUS’ growing presence in Central Canada, where it has grown from just over 300 team members in 2000 to approximately 11,000 in Ontario and Quebec by the end of 2007.

6. In pursuing this strategy, TELUS has also committed to partnering with domestic and international parties, acquiring domestic and international assets, consistent with achieving its strategic objective, and divesting assets where necessary in order to be a “best in class” telecommunications company focused on its core business.
7. It is through the lens of this unique history, strategy and experience that TELUS submits these comments for your consideration.
8. While TELUS’ execution against this strategy has been impressive, it must be viewed in the context of events occurring globally. Telecommunications companies no longer operate in a world defined by domestic borders. Globally, the telecommunications industry continues to consolidate, dwarfing even Canada’s largest firms. There are many benefits that come with scale including significant efficiency gains through mergers and acquisitions. Canada must not fall behind. Addressing the issues TELUS outlines below with concrete action will not only help to inoculate Canada against becoming a parochial player on the global stage but will also reap tangible benefits for all Canadians in terms of opportunity, standard of living and quality of life.
9. TELUS wishes to comment on a number of issues raised by the Review Panel’s Consultation Paper. In particular, TELUS provides its comments on:
 - whether the *Competition Act* and the manner in which it is implemented can be refined to better foster the development of globally competitive Canadian firms;
 - the extent to which foreign ownership restrictions on telecommunications carriers and broadcasting distribution undertakings are impacting upon investment and productivity in Canada;
 - the extent to which federal regulatory policies impact upon innovation and investment in the telecommunications industry;
 - a template for making Canada the global destination for top talent;
 - public and private partnerships as a mechanism for delivering innovation and growth;
 - the importance of communities for a stronger Canada; and
 - support for a national securities regime.
10. While the issues are in one sense distinct, they are also illustrative of the policy and legislative impediments that keep Canadian firms from organically developing into globally competitive firms. As such, and as is further described below, TELUS urges the Review Panel to review the extent to which policy review and action in these areas can contribute to enhancing Canadian competitiveness and productivity, as part of a comprehensive package of government reform for the benefit of all Canadians.

Canada on the Offence

Competition Policy – Striking the Right Balance

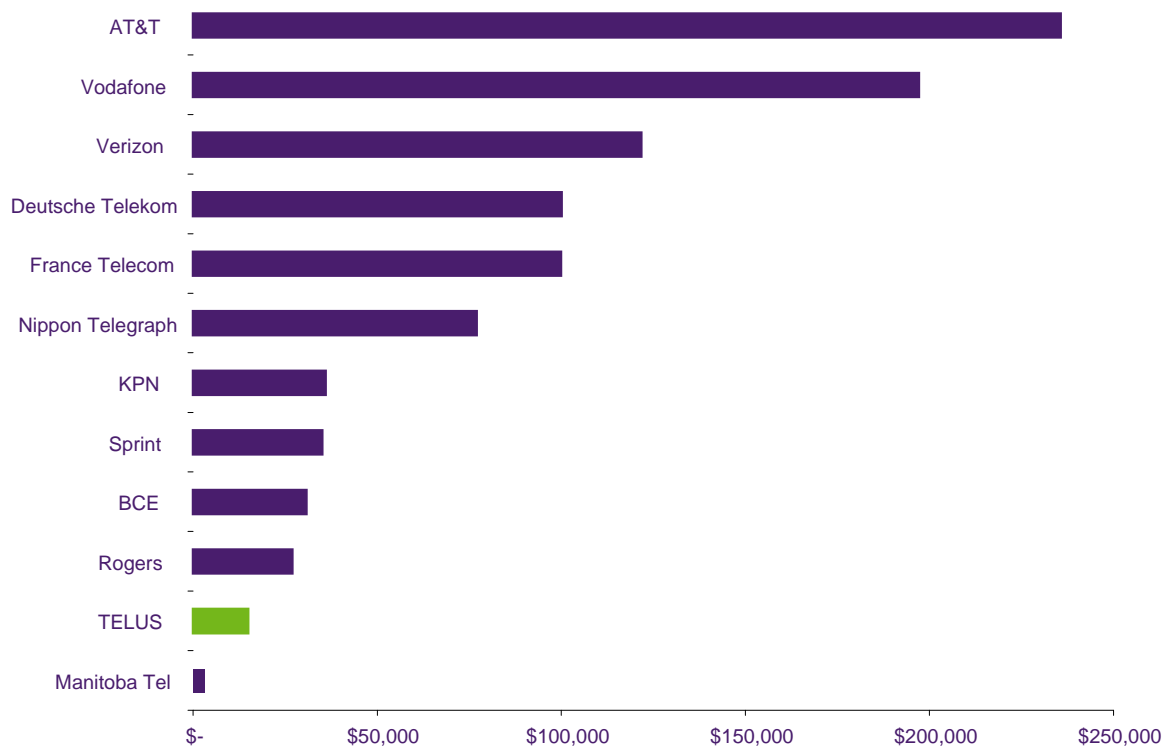
11. The Review Panel's Consultation Paper asks whether "Canada's approach to mergers strike[s] the right balance between consumers' interest in vigorous competition and the creation of an environment from which Canadian firms can grow to become global competitors" (p.25). It further observes that, unless we adapt to global competitive forces, "Canada and its enterprises risk falling behind others in the global economy, eroding our quality of life" (p. 4). It then appropriately suggests that one of Canada's objectives should be to "maximize opportunity for our domestic firms to grow into global champions" (p.4).
12. To the extent that a competitive industry generally provides the optimal environment within which Canadian firms can grow to become global competitors, while at the same time promoting the consumer interest in vigorous competition, the substantive test for merger review that is set forth in s. 92(1) of the *Competition Act* reflects a sound and balanced approach. This balanced approach is reinforced by the efficiency defence in s. 96 of that legislation, which recognizes that, in the exceptional cases where there is a conflict between maintaining competition and facilitating the achievement of the types of efficiency gains that Canadian firms require to become globally competitive, it makes sense to resolve the conflict in favour of promoting efficiency. Unfortunately, as the Competition Commissioner's 2005 Advisory Panel on Efficiencies concluded, "the efficiency defence has had very little public policy relevance".¹ Accordingly, TELUS submits that there is scope to refine the approach to efficiencies to: (i) clarify that they should be genuinely and fully considered both in the initial assessment of whether a proposed merger is likely to prevent or lessen competition substantially, under s. 92 of the *Competition Act*, as well as in the context of the efficiencies defence in s. 96;² and (ii) give a greater role to the consideration of dynamic efficiencies.
13. As an example of the potential significance of such amendments and the refinements suggested below with respect to the merger review process, the Review Panel should be aware that a merger of TELUS and BCE Inc. could have resulted in (i) the more rapid development and deployment of new or better wireless and broadband/video services, products and other technical innovations; (ii) the achievement of cost reductions estimated to

¹ *The Report of the Advisory Panel on Efficiencies* (August 2005), at 25 (Available online at <http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=1954&lq=e>.)

² TELUS notes that the Advisory Panel on Efficiencies endorsed this recommendation and recommended that the Competition Act be amended to make it explicit that the Bureau's consideration of efficiency gains should not be confined to the efficiencies defence, but should also form part of the Bureau's analysis of whether a merger prevents or lessens competition substantially. *Ibid.*, at 51-52.

be in the range of up to \$10 billion,³ and (iii) the ability to negotiate better access to the latest technologies from foreign suppliers of handsets and other products, as well as better settlement terms with foreign telecommunications partners. Some of the more important specific dynamic efficiencies that could have resulted from that merger included: increased density of cell sites (which would have improved the customer experience and laid the foundation for the roll-out of future network upgrades); more rapid and coordinated deployment of next generation wireless technologies (e.g. EVDO Rev A) over a wider geographic area; the extension of TELUS' leading wireless data applications and services to BCE's customer base; expediting the penetration of IPTV (TELUS is technologically ahead of BCE in this area); increasing the degree of competitive pricing intensity between CDMA and GSM-based service providers in Canada; and providing greater bundling opportunities for consumers (which would have included a new satellite offering to customers in Alberta /British Columbia). Unfortunately for Canadians, these substantial benefits and the opportunity to create a world class Canadian telecommunications carrier rivaling the various foreign carriers identified in the chart below were lost, and both BCE and TELUS remain as minor players in an increasingly globalizing industry.

Global Telecom Market Caps



³ This estimate was commonly cited by investment analysts at the time of BCE auction process.

14. In addition to making the substantive refinements to the Competition Act that are recommended above in connection with the treatment of efficiencies, TELUS submits that there is scope to refine the merger review process to maximize opportunities for domestic firms to grow into globally competitive firms. Based on its experience in the 2007 auction that will result in the sale of BCE Inc. to an investor group led by Teachers Private Capital, Providence Equity Partners Inc. and Madison Dearborn Partners, LLC, TELUS is concerned that the Competition Bureau's merger review process does not maximize opportunities for domestic firms to become globally competitive. In fact, that process can deprive domestic firms of opportunities to become globally competitive. TELUS notes that Labatt Brewing Company Limited ("Labatt") has stated on the public record that it had a similar experience in connection with the auction for Sleeman Breweries Ltd. In both cases, the merger review process played a large role in depriving strategic Canadian purchasers of a unique opportunity to position themselves to become more globally competitive.
15. Specifically, the merger review process can impose a regulatory burden on Canadian strategic bidders that is not shared by foreign strategic bidders or by non-strategic bidders in a contested auction situation. In short, to the extent that the competition issues associated with a potential acquisition by a Canadian strategic bidder can be more complex than the issues associated with rival bids, the timing disadvantage and regulatory uncertainty imposed on the Canadian strategic bidder can be substantial and, as TELUS and Labatt have discovered, fatal.
16. This is exacerbated by the fact that the time frames imposed by corporate and securities legislation on acquisitions effected by way of takeover bids or plans of arrangement are substantially shorter than the Competition Bureau's established review periods for transactions that it designates as "complex" and "very complex". As a result, rival offers that do not give rise to material competition issues are typically able to proceed much more expeditiously than offers by strategic bidders whose offers may be perceived as raising *prima facie* competition issues.
17. TELUS recognizes and accepts that the merger review process will inevitably and unavoidably be somewhat more burdensome and time consuming for a party whose proposed merger raises more difficult issues than a rival bid. TELUS also recognizes and greatly appreciates the efforts that the Competition Bureau makes to reduce the aforementioned disadvantages faced by strategic bidders. However, TELUS respectfully submits that there is scope for reducing these disadvantages, particularly in situations where the Competition Bureau has a substantial amount of existing expertise with the sector and recent information from other transactions. In such situations, TELUS submits that there are legitimate public policy considerations that warrant a streamlining of the procedural steps that would otherwise be taken by the Competition Bureau.

18. Accordingly, TELUS encourages the Review Panel to examine the Competition Bureau's review procedures with a view to identifying steps that could be shortened or eliminated in such situations. Indeed, the Review Panel may wish to consider whether to recommend the adoption of a formal "fast track" approach in auction and other situations where opportunities for Canadian firms to become more globally competitive may otherwise be lost. To assist the Competition Bureau to conduct such streamlined or expedited reviews, consideration should be given to whether it would be appropriate for the Competition Bureau to be given additional resources that would be used for this purpose. (TELUS applauds the Competition Bureau's establishment of a dedicated telecommunications team and the \$10 million in special telecommunications related funding that has already been provided to the Competition Bureau.)
19. TELUS also encourages the Review Panel to consider how the merger review process could be refined to address, at an early or in any event interim stage of the process, the substantial disadvantage that strategic bidders can face, relative to rival bidders, with respect to the "uncertainty" associated with the ultimate outcome of that process. TELUS is concerned that under the existing process, strategic bidders may have to sacrifice more of the potential synergies and efficiency gains that would be associated with a proposed transaction than is necessary in order to reduce such uncertainty to an acceptable level for shareholders of the target firm and other important stakeholders.
20. For example, the Review Panel may wish to consider the extent to which the merger review process could be improved through the establishment of a mechanism, outside the formal process, to engage in meaningful, confidential, dialogue regarding (i) any prima facie substantive competition issues that have been identified, (ii) how claimed efficiencies may impact upon the Competition Bureau's assessment of those issues, and (iii) the prospects that particular potential remedies realistically may have for addressing any likely substantial prevention or lessening of competition that the Competition Bureau may conclude is likely to result from the proposed transaction.
21. In summary, TELUS submits that there is scope to refine Canada's approach to mergers to assist Canadian firms to become global competitors, while at the same time protecting consumers' interest in vigorous competition. This can be achieved by:
 - refining the substantive approach to efficiencies to: (i) clarify that they should be genuinely and fully considered both in the initial assessment of whether a proposed merger is likely to prevent or lessen competition substantially, under s. 92 of the *Competition Act*, as well as in the context of the efficiencies defence in s. 96; and (ii) give a greater role to the consideration of dynamic efficiencies; and
 - refining the merger review process, to (i) minimize the timing disadvantage that can be faced by strategic bidders, relative to other bidders, in auction and other situations where

the timing of the Competition Bureau's review can be a significant factor in determining the ultimate outcome of the sale process; and (ii) assist strategic bidders to minimize the uncertainty that may be associated with the ultimate outcome of the Competition Bureau's review process.

Foreign ownership restrictions for telecommunications carriers and broadcasting distribution undertakings are unnecessary

22. TELUS supports the adoption of measures that will promote competitive markets, further the Government's telecommunications policy objectives and provide consumer benefits. Elimination of Canada's foreign ownership rules is generally considered to be such a measure and TELUS supports symmetrical elimination of the current rules on both telecommunications carriers and broadcasting distribution undertakings.
23. The restrictions on foreign investment in Canadian telecommunications carriers have been the subject of debate since the restrictions were first announced in 1987 and then enacted in the 1993 *Telecommunications Act*. Canada is one of a small and declining number of OECD countries that still place explicit foreign investment restrictions on domestic telecommunications service providers and that Canada ranks among the most restrictive countries in the OECD when it comes to explicit restrictions on foreign ownership of telecommunications carriers.⁴
24. The current restrictions find their provenance in historical policy concerns related to Canada's economic and cultural sovereignty. The rules were designed to insulate Canadian firms from being acquired and/or controlled in fact by foreign firms. However, the best insulation against that occurring is a fully valued stock price and avoids the detrimental effect of the foreign investment restrictions that limit the formation of joint venture initiatives with foreign firms and impede technology transfers and other unique partnerships. These are mechanisms through which domestic firms become more innovative and competitive internationally.

Canada's telecommunications regulatory policy has limited innovation and competition

25. The Panel observes that one of Canada's key aims is to become a preferred location for talent, capital and innovation. However, for much of the last decade the telecommunications regulatory regime has not promoted innovation or investment. In fact, it has served to do precisely the opposite.
26. In 1997, the Canadian Radio-television and Telecommunications Commission ("CRTC") determined that it would permit competition in the provision of local telephone services, and

⁴ Report of the Telecommunications Policy Review Panel, March 22, 2006, Chapter 11, page 14.

in so doing reiterated a presumption in favour of facilities-based competition. In Decision 97-8⁵, the Commission considered the consequences of too much or too little unbundling. Unbundling refers to the requirement for the traditional telephone companies to make available their network facilities and services to competitors at mandated discounted rates. If there is too little unbundling, competitors might not be able to enter the market because of an inability to obtain the necessary network components. If there is too much unbundling, competitors might not have sufficient incentives to invest in their own facilities. The Commission concluded,

The Commission is of the view that *efficient and effective competition will be best achieved through facilities-based competitive service providers*; otherwise, competition will only develop at the retail level, with the ILECs retaining monopoly control of wholesale level distribution. [emphasis added]⁶

27. What has occurred since Decision 97-8 is that the CRTC for most of the following decade expanded the list of facilities and services that the incumbent telephone companies have been forced to share with competitors, ostensibly to allow time for competitors to become established so that they could then invest in their own facilities. Whatever the intentions for making these incremental changes may have been, they were departures from the application of the Commission's essential facilities approach, and they have had the effect of forcing ILECs to share too much of their networks at artificially low prices. As a result, though the original intent of the wholesale regulatory framework was to foster the development of facilities-based competition, the framework has evolved into a regime that actually deters investment in telecommunications facilities and innovation in telecommunications services by both incumbents and "new" entrants.
28. Mandating too much unbundling and sharing of facilities and services also means that the carriers forced to share their assets lose competitive advantages that they should have gained from their own investment and innovation. Consequently, their incentives to invest and innovate are suppressed, and consumers are denied those benefits. Consumers are also denied the benefits that would otherwise have arisen from investment and innovation by competitors who choose not to invest and innovate and, instead, simply resell low-priced piece parts of another carrier's facilities and services. This choice to ride on other carriers' networks and services instead of building one's own facilities has become more and more prevalent in Canada as the regulatory framework has evolved to the point that this resale became, and in many cases is, the only viable option. As a result, customers have been denied the full benefits of competition from greater innovation and greater choice on the part

⁵ *Local Competition*, Telecom Decision 97-8 ("Decision 97-8").

⁶ *Local Competition*, Telecom Decision 97-8 ("Decision 97-8") at paragraph 73.

- of competitive suppliers in the marketplace, and the economy has been denied the benefits of the investment and innovation that was curtailed.
29. Without the correct incentives from the unbundling and pricing of essential facilities regimes, neither incumbents nor actual or potential competitors will invest in their own networks or innovate to the same degree as global rivals that are based in jurisdictions which have established frameworks that encourage investment to be determined by market-based signals. The result of this will be continued levels of investment, innovation and efficiency that are below those in the jurisdictions of our principal trading partners.

Canada As The Global Destination For Top Talent

Demographics and technology leading to borderless competition

30. It is well known, researched and documented that Canada and North America are entering into a multi-decade talent shortage of unparalleled significance. As a direct result of this talent shortage, the competition to attract and retain talent has truly become borderless.
31. Further complicating this incredible challenge is the continuously rapid advance of technology enabling people and organizations to extend their offerings on a worldwide basis overnight. Take the Canadian telecommunications industry as an example. Leveraging over 100 years of history and progress, TELUS has grown to the point of supporting 11 million customer connections. In contrast, in 2003 two young technology entrepreneurs in Europe launched a software capability known as Skype enabling free and inexpensive long distance voice communications over the internet. Only four years later, by September 2007, Skype already had 245 million customer accounts.
32. Canada can only be a global player and global leader if we are able to attract, develop and retain top talent that can leverage technology to best meet the needs and wants of the citizens of our nation and the world.

Global excellence in talent development

33. TELUS has become a recognized global leader in the field of talent development enabling the company to attract, develop and retain top talent which has led to TELUS being one of the top performing incumbent telecoms worldwide over the past eight years. Many practices contribute to TELUS' global excellence in this arena.
- **Talent attraction** – TELUS has developed an employment brand centered around three key tenets: customer, culture and community. We speak to prospective recruits about how we deploy leading-edge solutions for customers, operate within an exciting and learning focused culture and continuously focus on giving back to the community. This

focus on our employment brand enables us to connect at a logical and emotional level with prospective recruits and differentiate TELUS as an employer of choice. We have also deployed many campus recruiting strategies involving internship/coop and graduate opportunities, positioning TELUS as a top choice for university and college students seeking employment.

- **Supporting career development** – TELUS invests more than \$30 million per year on learning and development initiatives. Each and every TELUS team member partners with their manager to create a customized career development plan (CCDP) that captures learning objectives for their current and future roles; learning activities include on-the-job training, mentoring, job shadowing, stretch assignments, community involvement, online and instructor-led courses and external training. Online learning has achieved considerable success at TELUS as illustrated in the results: in 2001, there were approximately 16,000 e.learning sessions completed by TELUS team members; in 2006, there were more than 361,000 innovative, web-enabled e.learning sessions related to safety and ethics, technology, sales, customer service and leadership education completed by team members – a remarkable increase of over 2000%. TELUS is also dedicated to developing the leadership potential of team members, driving best-in-class practices with a strategy that focuses on the three key leadership audiences: senior leaders, high potential leaders and all leaders.
- **Recognition** – TELUS has budgeted over \$1.4M for our corporate peer recognition program in 2008. This program is complemented by our pay for performance program which recognizes team and individual accomplishments through variable pay, stock options, restricted stock units, a share purchase program with employer matching and annual compensation adjustments.
- **Supporting health and wellness** – TELUS is a leader in supporting individual wellness through a host of initiatives such as health screenings, our employee and family assistance program, access to child care services, on-site wellness centres and experts, fitness centre discounts and a focus on healthy eating.

Third party recognition of TELUS' leadership

- **ASTD BEST Awards, 2007 and 2003 thru 2005** - the American Society for Training and Development (ASTD) BEST Awards recognize organizations that demonstrate enterprise-wide success as a result of employee learning and development. In 2007, TELUS placed third worldwide besting Deloitte & Touche, Wachovia, Home Depot, Microsoft and American Express; entries came from more than 100 organizations across

8 countries. Only two Canadian companies were recognized (Saskatchewan Telecommunications ranked 36th). TELUS is one of only six companies worldwide that have won four out of five times entered and the only Canadian company to achieve this recognition since the BEST awards were initiated in 2003.

- **Learning Leader of the Year, Thomson NETg Illuminati Awards, 2005** – Josh Blair (now TELUS' EVP of Human Resources) was the sole recipient of this prestigious international recognition.
- **Worklife B.C. Award of Merit, 2007** – the Government of British Columbia recognized TELUS for its innovative health and wellness strategies that support work-life balance.
- **National Quality Institute Canada Awards of Excellence, 2005** – TELUS was awarded for enterprise-wide quality in leadership, planning, customer, people, supplier and partner focus and overall business and financial performance.
- **SkillSoft Awards, 2005** – TELUS received worldwide honour for the best learning program of the year.
- **The Thomson NETg Illuminati award for Best Leadership Development Program, 2004** – a global recognition, TELUS was selected based the ability to identify business needs, deploy a training program that supports organizational objectives and demonstrate measurable outcomes.

34. TELUS' leadership in the field of talent development has resulted in governments and organizations seeking consultative, technological and operational assistance from us as they aim to better support Canadian employees and citizens from childhood education through to career development.

How the Federal Government can help to ensure Canada leads the way

35. TELUS is tabling the following recommendations for the consideration of the Canadian Government to help position Canada as a global destination for top talent.
- Provide incentives for employers who invest significantly in training and development.
 - Work with the Provinces to continuously bolster elementary, secondary and post secondary education, leveraging technology to reach a more diverse and broader population.

- Explore forgiveness of federal student loans for citizens who remain and work in Canada for a significant period of time.
- Continue to lower personal income tax rates.
- Continue to increase RRSP maximums.
- Continue to support and bolster the RESP program.
- Continuously enhance immigration policies and practices.
- Continuously enhance talent development efforts for employees within the public sector.

TELUS is committed to this journey

36. TELUS is committed to assisting the Federal Government and our nation in this lofty and admirable endeavour. To this end, there are many initiatives that we can and will undertake such as follows:

- TELUS will continue to research and deploy leading-edge talent attraction, development and retention strategies positioning us a Canadian success story on the international stage.
- TELUS will share our learnings and best practices with the public, not-for-profit and corporate sectors so that Canadian organizations can leverage our efforts for the gain of Canadian employees and citizens.
- TELUS will continue to invest in the development of Canadian children through corporate giving initiatives such as our investments in the major science centres/worlds of Vancouver, Toronto, Montreal, Calgary and Edmonton which total over \$40 Million.

Coherent Labour Policy

37. One of the cornerstones necessary to improving Canada's competitiveness is the development of integrated and robust labour policies that anticipate and respond to the challenges and opportunities associated with the global economy. The federal government is uniquely positioned to both lead and influence the development of these policies. Such policies include relations between employers and employees, employment standards, and the quality and quantity dimensions of the labour force.

38. A hallmark of policy development in this area should be active and meaningful dialogue with all stakeholders, guided by recognized independent subject matter experts. The federal government has had notable successes in the past utilizing just such an approach – with

- some lamentable lapses due to the politicization of both dialogue and direction. As an example, the anathema of an approach to building consensus is evident in the recent attempts, through private members' bills, to drastically change the law with respect to replacement workers in the federal jurisdiction. Such approaches represent short-term win-lose mindsets that damage the credibility of the process of rational policy development.
39. As important as dialogue and consensus building are to development of policy and law, are the administration and adjudication of those policies and laws by governments and their agencies. Enforcement policies and staff must be able to respond to challenges faced by employers while ensuring public policy goals are met. All stakeholders need to be able to rely upon predictable interpretation of law and policy and govern themselves accordingly – this is essential to minimizing disputes and reliance on third party intervention. But when disputes do occur, they must be heard and settled in an expeditious fashion.
40. Federal initiative is critical to leading the drive to ensure that our law and policy help, rather than hinder, Canada's competitiveness.

Public and Private Partnerships Deliver Innovation and Growth

41. Governments increasingly find themselves under pressure to invest in and manage infrastructure and systems that are required to deliver services to the public. Some governments have turned to public/private partnerships to ensure that those mission critical services are delivered in a timely and cost-efficient fashion using the most up to date technologies and innovative solutions.
42. TELUS has worked with many governments and agencies to tailor, design and deliver solutions that allow the government entities to deploy state of the art technology and best in class service delivery in order to deliver many essential services to Canadians. TELUS believes these partnerships have enriched the lives of Canadians and serve as a model for future partnerships. Beyond improved service delivery, these partnerships have allowed governments to focus on their core priorities and have enabled partners, like TELUS, to showcase their innovative solutions.
43. The public sector maintains accountability throughout each project to ensure high quality standards are written into every contract and adhered to throughout the life of the project. The public sector also ensures that projects meet their objectives - providing BC residents with high quality infrastructure.
44. The private partner operates and manages infrastructure to ensure projects are delivered on time, on budget and to specified performance standards.

45. Where partnerships are deemed to be the best approach for projects, they offer the following benefits:
- Ensuring taxpayers are protected from the responsibilities associated with building and maintaining major facilities
 - Increasing the creativity or innovation brought to the project's development by engaging the private sector in a rigorous competitive selection process.
 - Ensuring the public sector stays focused on delivering high quality public services that meet public policy objectives.
46. TELUS' NetworkBC partnership with the Government of BC is an example of an innovative public-private partnership that is delivering improved services to citizens with reduced costs to taxpayers. Through that partnership, TELUS has invested \$110 million to provide high-speed, broadband access points to 119 remote communities in BC, making the province the first in Canada to bridge the digital divide with the vast majority of the infrastructure costs borne by the private sector. In addition, a Master Competitive Services Agreement with the Government of BC replaced approximately 340 existing contracts and provided significant savings for government on telecommunications costs through discounted prices and credits. Not only did this increase value for the government, service delivery was significantly enhanced through the establishment of new service level agreements, resulting in higher reported customer satisfaction levels.
47. Aggregating existing telecommunications spending across the B.C. public sector enabled the provincial government to leverage the investments needed to bridge the digital divide, saving provincial taxpayers millions of dollars. This is an example of the innovation, business value, and social benefits that a successful P3 can provide to the public sector.

Stronger Communities Make a Stronger Canada

48. As the Review Panel's consultation paper noted, 'a key aim for any country in the global era is to be a preferred location for the capital, talent and innovative activity that drive the modern economy.' We agree and believe that the private sector has a critical role in ensuring that Canada is well-positioned in this regard.
49. Success requires strong, innovative companies that have the vision, commitment and ability to contribute in a significant and meaningful way to building sustainable communities equipped to embrace the knowledge-based economy.
50. TELUS is a Canadian corporate leader in this area through the innovative products and services we offer to Canadians and our community investment initiatives that reflect our commitment to give where we live. We measure our success not only on profitable financial

- returns, but on the place we hold in society and our efforts to make the future friendly for Canadians.
51. Since 2000, for example, TELUS and our team members have contributed more than \$106 million dollars to Canadian charities and in excess of 2 million volunteer hours of service to local communities.
 52. TELUS' community investment strategy focuses on three core areas critical to fostering robust communities as centres of excellence from a social, cultural and economic perspective: health and well-being, education and sports, arts and culture. These 'pillars' are supported by two 'platforms' – youth and technology – to ensure that our contributions benefit young Canadians through the innovative use of technology.
 53. While national in scope and supported by the resources of a strong, national enterprise, TELUS' community investment strategy is executed at the community level so as to reflect local fit, touch and intimacy. Another key differentiator is that we engage community leaders directly in the decision-making process.
 54. Since 2005, TELUS has established eight community boards in our major centres of operation with a mandate to identify and fund front-line organizations delivering programs and services to meet local needs. A majority of each board's voting members are community leaders who volunteer their time. Between 2005 and 2007, the TELUS community boards invested more than \$11.5 million towards 839 community projects.
 55. TELUS' commitment to capacity building within the not-for-profit sector includes the crucial area of corporate governance. We do this through our sponsorship of the Governance Essentials Program for not-for-profits in partnership with the Institute of Corporate Directors and the Rotman School of Management. Since the program's launch in 2006, 423 community leaders and TELUS team members have participated. To ensure smaller community organizations can benefit from the program, TELUS has also funded 117scholarship at the \$1,000 level each.
 56. TELUS' direct corporate funding is only one component of an effective community investment strategy. Indeed, we believe our greatest contribution lies in creating a culture of giving and volunteerism. That is the legacy we are building through our Team TELUS Cares engagement programs that support our team members in volunteering their time and talent, as well as their charitable giving, to local organizations of their choice.
 57. On September 29, 2007, for example, the TELUS team held its second annual TELUS Day of Service. On this one special day, more than 6,000 team members, retirees, family and friends gave more than 18,000 hours of community service to more than 225 TELUS-sponsored charitable activities across Canada. In addition, TELUS, its team members and retirees also donated \$5.5 million this year to more than 2,800 charities across Canada as

- part of our Dollars for Dollars employee charitable giving program. Our team also volunteered more than 416,000 hours in community service.
58. To put our community investment strategy into context, here are three examples drawn from our innovative work in the area of health care, Internet safety and education through the arts.
59. **The health sector** - our focus on health and well-being supports both TELUS' business objectives for providing innovative telecommunications services that advance health sector outcomes as well as the priority on health care identified by both governments and Canadians.
60. It is no secret that the biggest challenge facing the Canadian health care system is the considerable expenses associated with the remediation of chronic diseases, most particularly diabetes. TELUS has established with the Juvenile Diabetes Research Foundation (JDRF) a three-year, \$1.2 million partnership to fund Canadian-based research programs seeking a cure for juvenile (Type 1) diabetes. TELUS is also the new national title-sponsor for JDRF's primary fundraising event – the TELUS Walk to Cure Diabetes, which attracts more than 45,000 Canadians every year who participate in 27 centres across the country. The 2008 TELUS Walk to Cure Diabetes events will take place on May 25, June 1 and June 8, with a goal to raise \$6.9 million for JDRF.
61. **Internet safety** – TELUS also brings together its technology expertise and community investments to ensure young Canadians have a safe online environment. A recent example drawn from the health sector is the launch on December 12, 2007 of Upopolis.com - the first secure online social network for kids in hospital care created through a partnership of the Kids' Health Links Foundation (KHLF), McMaster Children's Hospital (MCH) and TELUS.
62. Powered by TELUS, Upopolis.com provides the best features of social networking for young patients who often feel isolated when they are in the hospital. Upopolis provides a personal profile, secure mail, instant chat, discussion boards, personal blogs and links to child-friendly games. The site also provides unique features to kids in hospital like a homework site to stay up-to-date with their schoolwork, links to kid-friendly health and wellness information, and connections to other children with the same condition.
63. **Education and the arts** - TELUS is committed to a future in which learning, like creativity itself, knows no boundaries and where students have barrier-free access through technology to music and arts education. Our partnership with the Royal Conservatory of Music (RCM) is designed to make that a reality.
64. The new TELUS Centre for Performance and Learning in Toronto will use innovative technology to connect students and teachers from across the country for distance learning. TELUS is also the technology sponsor of the RCM's 'Learning Through the Arts' (LTTA) program, which incorporates ongoing professional development of teachers, professional development of artists, writing of lesson plans, curriculum development, in-class delivery and

continuous assessment. A five year study by the Ontario Institute for Studies in Education (O.I.S.E.), University of Toronto, found that LTTA students produce written work of higher quality, make more frequent and better use of the library and the Internet, learn to respect their teachers and fellow students, and cause fewer incidents of behavioral disruption, leading to an increase in the class time spent on instruction.

Benefits to Canada:

65. This community-based approach demonstrates how the private sector can collaborate effectively with public organizations to create strong communities, support new generations of Canadian leaders, and facilitate the adoption of information communications technologies (ICT) at the community level, particularly within the not-for-profit sector where limited resources and expertise might otherwise limit the deployment of technology and service innovations.

Recommendations

66. TELUS suggests that the government should do more to encourage companies to make this type of investment in communities, to the benefit of Canadians, our society and economy. To that end, government needs to ensure policies and processes, including competition review, do not discourage or impede.

Action Plan

67. For our part, TELUS is committed to continue its successful community investment and employee engagement programs, and to demonstrate corporate leadership and influence in this area.

Common National Securities Regulator

68. TELUS supports the creation of a single set of securities regulations and a common national securities regulator in Canada in order to reduce inconsistent and duplicative regulations, reduce compliance costs for Canadian firms, and assist Canadian firms in easier access to capital in the global market, enhancing the economic growth of Canada and the strength of Canadian enterprises.
69. The federal government appears to have endorsed as a sound proposal the approach taken by the Crawford Panel on a Single Canadian Securities Regulator. The Crawford Panel concluded after wide consultations with capital market participants, federal and provincial ministers and officials, securities regulators and other informed parties that:
 - Market participants see continuing weaknesses in a system with 13 separate provincial and territorial jurisdictions that is not solved by the current passport system of regulation.

- Regulatory fragmentation erodes confidence.
 - Canada is the only major country in the world without a single securities regulator, and regulation on a province-by-province basis is out of step with world trends.
 - There is profound concern about ineffective enforcement of securities regulations – a domestic and international embarrassment for Canada.
70. As noted by the Panel, Canada's relatively tiny capital market (approximately 3% of the world market) must compete for attention in bringing capital-seeking companies together with investors so they can transact business efficiently at the lowest possible cost. At the same time, our securities regulatory system must be able to support Canadian businesses, particularly small and medium-sized firms, by helping them raise capital for growth and development without imposing a disproportionately regulatory burden.
71. As an issuer of securities in all [13] Canadian provinces [and territories], TELUS experiences first hand the incremental efforts and costs of compliance with more than one regulatory body notwithstanding the passport system, and reconciling and meeting different [and sometimes inconsistent] legislations. These incremental costs can be disproportionately more onerous on smaller Canadian firms and impose a greater barrier to their growth. TELUS urges the immediate commitment by all governments to the concept of a common regulatory regime and regulations, with the framework to be formulated within a reasonable period of time.

Requirement for security holder approval to issue shares on acquisition

72. Canada can further enable Canadian public companies to become global competitors by ensuring that Toronto Stock Exchange (TSX) listed companies are not required to obtain security holder approval for the issue of securities as full or partial consideration for an acquisition of a public company. This is the current state but the TSX recently requested comments on a proposal to impose such a requirement on its issuers.⁷
73. As stated in our submissions filed with the TSX on December 12, 2007, TELUS believes that a requirement for security holder approval creates greater conditionality and uncertainty to an acquisition which in turn influences deal terms such as an increased purchase premium and increased break fee to compensate for such uncertainty. In addition, in a competitive bid situation, because the board of a target company is required to evaluate the conditionality of competing bids, requiring security holder approval of one bidder but not another may very well influence not only the premium that must be paid by the public acquirer to compensate

⁷ TSX Request for Comment, "Security Holder Approval Requirements for Acquisitions", published on October 12, 2007 at 2007 OSCB 8725.

- for this conditionality, but also dictate the outcome of who will be selected as the successful bidder.
74. Such a requirement gives rise to an unequal playing field in a competitive auction between Canadian bidders subject to it and foreign bidders who are not subject to a similar requirement in its home country. Even when comparing a Canadian bidder to a foreign bidder facing similar approval requirements, the Canadian bidder could be at a disadvantage due to its relative size. For example, the TSX conducted a comparative analysis on the relative size of Canadian and U.S. issuers, and found that the median market capitalization of a TSX issuer is \$144 million compared to \$1.4 billion on the New York Stock Exchange. Accordingly, a median TSX issuer would be required to seek shareholder approval at \$36 million (25% threshold for dilution)⁸ while a median NYSE bidder would only be required to seek shareholder approval at \$280 million (20% threshold for dilution).⁹

Conclusion

75. TELUS wishes the Panel well in its deliberations and is anxious to see the Panel's report when it is issued. TELUS hopes that in the limited space allocated, it has been able to provide its perspectives on a number of issues that it feels represent challenges to Canadian productivity and innovation and that, if properly overcome, through both private sector and government action will provide meaningful and tangible benefits for Canadians for years to come.

⁸ The current TSX threshold where the exemption does not apply.

⁹ Assuming parity in exchange rates.