

Liberalization of Canadian telecom foreign ownership restrictions: Federal budget leaves many questions unanswered

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As noted in the last Telecommunications Law Update, the Speech from the Throne delivered on March 3 raised expectations by revealing the federal government's intention to "open Canada's doors further to venture capital and to foreign investment in key sectors, including the satellite and telecommunications industries, giving Canadian firms access to the funds and expertise they need." Combined with subsequent comments made by Industry Minister Tony Clement, it appeared that the government was finally ready to take steps to liberalize Canada's foreign ownership restrictions in the telecom sector.

It was expected that the budget, to be delivered in the House of Commons the following day, would provide more detail about those plans. To some degree, the March 4 budget did provide additional details, confirming that the government plans "to remove the existing restrictions on foreign ownership of Canadian satellites." However, no details were provided regarding the government's plans to liberalize foreign ownership restrictions in the telecom sector more generally.

The initial announcement of the government's intention to liberalize foreign ownership restrictions in the "satellite and telecommunications industries," followed the next day by the budget's reference to removing restrictions for "satellites" created some confusion about the government's liberalization plans for the telecom sector as a whole. While this confusion is understandable, it is unlikely that the narrower scope of the liberalization referred to in the budget reflects a change from the broader liberalization plans set out in the Speech from the Throne.

In a television interview following the Speech from the Throne, Industry Minister Tony Clement confirmed the government's desire to liberalize foreign ownership restrictions in the telecom sector. Asked how it will happen and when we will see details, Minister Clement said that the government is in the process of examining the necessary legislative changes and that people should "stay tuned." At the same time, the Minister acknowledged that the recommendations of the Competition Policy Review Panel would be "part of the mix."

What is clear, therefore, is that the government intends a liberalization of the foreign ownership provisions in the satellite and telecommunications sectors. What is not clear is the process and timetable for achieving this liberalization. As Minister Clement said, "stay tuned."

This newsletter was prepared by members of the Telecommunications Group at Stikeman Elliott.

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