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**Subject:** Harper's Plan for New Canada-Wide Carrier Rests With Separatist

## Harper's Plan for New Canada-Wide Carrier Rests With Separatist

Bloomberg

Canadian Prime Minister Stephen Harper's pledge to foster a fourth national wireless carrier to help reduce smartphone bills now rests in the hands of a businessman who wants to break up the country.

Pierre-Karl Peladeau resigned as vice chairman of Quebecor Inc. (QBR/B) to run for the separatist Parti Quebecois in next month's provincial election. Harper's government championed the Montreal-based firm as a potential fourth carrier after it bought wireless spectrum across the country in a February auction. Now Harper must reconcile his desire for increased competition with the optics of nurturing a company identified with a separatist entrepreneur.

"They have the capacity to be and I think they will be," Canada's fourth carrier, Industry Minister James Moore told reporters Feb. 19 after Quebecor spent C\$233 million (\$210 million) at a government auction to snap up airwaves in Ontario, Alberta and British Columbia.

Jake Enwright, a spokesman for Moore, declined to comment yesterday on the Quebec businessman's decision.

The surprise announcement by Peladeau is the latest in a string of setbacks for Harper's telecommunications policy. On the eve of the government's spectrum auction two months ago, Amsterdam-based VimpelCom Ltd. pulled out of the sale, dashing hopes its support for Toronto-based Wind Mobile would provide the roots for a fourth national carrier to compete with Canada's three large incumbents. Six months earlier, AT&T Inc. had expressed interest in entering the Canadian market before deciding against it.

### Big Three

Now Harper risks angering English Canadians by continuing to support Quebecor if it decides to expand beyond its home province versus backing down from his consumer-friendly wireless platform.

“Should you allow that to color what might otherwise be a good business for Canadians?” said Jonathan Lemco, senior analyst with Vanguard Group Inc. in Valley Forge, Pennsylvania, who was born in Montreal and wrote a book on the sovereignty movement “Turmoil in the Peaceable Kingdom.”

“It’s all going to come down to optics,” Lemco said.

Harper’s government has been pushing for at least six years to spur competition against BCE Inc. (BCE), Rogers Communications Inc. (RCI/B) and Telus Corp. (T) which together control about 90 percent of the Canadian wireless market. New entrants Wind Mobile, Public Mobile and Mobilicity have struggled to make inroads against the three.

Quebecor CEO Robert Depatie hasn’t specified what Videotron, the company’s cable and wireless unit, would do with the new airwaves, in an auction that raised a combined C\$5.3 billion for the Harper government.

### **Independence Referendum**

“Videotron is now well-equipped to develop its network in the years to come,” Depatie said last month. “We now have a number of options available to us to maximize the value of our investment.”

Martin Tremblay, a spokesman for Quebecor, yesterday declined to comment on the company’s plans. In addition to Videotron, which is the country’s third-largest cable operator, Peladeau and his family control media assets such as TVA Group Inc., the owner of the province’s most-watched television network and Sun Media, which owns English-language newspapers across Canada.

Peladeau appeared alongside Quebec Premier Pauline Marois over the weekend to announce his decision to run for office in the district of Saint-Jerome, north of Montreal. Marois last week called a provincial election for April 7, aiming to turn her minority government into a majority, fueling speculation she will call a referendum on independence.

### **Economic Heft**

The candidacy of Peladeau, one of Quebec’s most prominent and wealthy businessmen, adds some economic heft to Marois’s campaign, eroding arguments from the Liberal Party that a Parti Quebecois majority would undermine the province’s economy.

“It looks like quite a coup for Madame Marois,” said Andre Juneau, a fellow at the Institute of Intergovernmental Relations at Queen’s University in Kingston, Ontario. “He’s a business star, he’s a media star.”

A Parti Quebecois victory also puts Harper’s government in an unusual position of dealing with Quebecor on telecommunications issues even as it negotiates with Peladeau, the company’s largest shareholder, on other matters depending on his role in a future Quebec government.

“Peladeau is obviously going to get a high profile economic portfolio because of his business credibility,” said Nelson Wiseman, a political science professor at the University of Toronto.

### **Blind Trust**

Peladeau said he will put his ownership of Quebecor in a blind trust. Peladeau and associated companies in his name own 89.5 percent of Quebecor's 39 million Class A shares, which carry 10 votes per share, according to data compiled by Bloomberg.

"Selling Quebecor is out of the question," he told reporters yesterday in Saint Bruno-de-Montarville, Quebec. "I've been fighting for our companies to remain Quebec-owned, so I would be in a very bad position to start selling my shares. There's no way."

While Harper is in a bind having invested so much effort on the fourth-carrier pledge, a victory for Peladeau and the Parti Quebecois is not a foregone conclusion.

A survey conducted for Radio Canada by polling company CROP shows Marois' party locked with the Liberals at 37 percent each, short of the support needed to form the party's first majority government in more than a decade.

Peladeau "entering the political fray does not mean the end of Sun, or the dashing of a possible fourth Canadian national carrier," said Iain Grant, president of wireless policy consulting firm The Seaboard Group.

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