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Chair

Mr. James Rajotte

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• (1530)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): We'll call this 44th meeting of the Standing Committee on Industry, Science and Technology to order. The orders we are studying today are pursuant to Standing Order 108(2), continuing our study on the deregulation of the telecommunications sector.

We have two hours, separated into one hour each. For the first hour we have Bell Canada and Bell Aliant Regional Communications. The first witness we have is Mr. Lawson Hunter, executive vice-president and chief corporate officer with Bell Canada. Second, we have Mr. Denis Henry, vice-president, regulatory affairs, with Bell Aliant Regional Communications.

Gentlemen, you have opening statements of up to five minutes, and then we'll go directly to questions from members.

Mr. Hunter, we'll start with you. Welcome to the committee.

Mr. Lawson Hunter (Executive Vice-President and Chief Corporate Officer, Bell Canada): Thank you, Mr. Rajotte.

Mr. Chair, Bell Canada believes that Minister Bernier's framework for retail forbearance in local telephone markets is both correct and long overdue. The minister has evidence before him that Canada has fallen behind the rest of the world in a crucial sector of the economy. He has the support of consumers—your constituents, our customers—the very people who should be benefiting from competition today, but are not. He has the support of boards of trade, chambers of commerce, labour groups, and businesses large and small from coast to coast.

Under the minister's proposal, Canadians will finally start to benefit from vigorous competition. Bell is already preparing for the day when the draft order in council is in effect. We are preparing new and innovative offers for consumers that will provide better value, offers that we cannot now make but that our competitors can, promotions tailored to the different needs of customers—people who are moving, trying out new services, or simply upgrading existing ones—and bundles that allow consumers to realize the true value of multiple services.

Consumers want these now. Yet you have not heard the consumer's voice among your many witnesses, just the complaints of competitors, particularly wholesale competitors, whose very existence depends on the government. Of the 12 witnesses you have heard to date, nine were either competitors or their representatives. The only independent experts you have heard from are CRTC vice-chair, Richard French; Commissioner of Competition, Sheridan

Scott; and Hank Intven, representing the Telecommunications Policy Review Panel. They all substantially supported the minister's proposals. I'll paraphrase the Who, and maybe I'm showing my age, but don't get fooled again.

When I last appeared, I cited a 2005 Decima consumer survey commissioned by Bell, Telus, and the Public Interest Advocacy Centre, each of which reviewed and approved the questions. At that time it showed that 89% of Canadian consumers believed that the same rules should apply to telephone companies and cable companies. That belief in level playing fields and open competition has never wavered in survey after survey.

Later efforts to alarm Canadians about regulatory change by those who claim to speak on the consumers' behalf have not weakened consumers' resolve. Quite the contrary, their resolve has strengthened, as we found when we commissioned an Ipsos Reid study in early January to do a comprehensive survey of consumers. Now, 93% of consumers believe that federal policies should treat all telecom competitors the same; 77% believe the consumer, not government regulators, should determine what price to pay for local telephone services; 79% believe that telephone companies should be able to offer promotions; and 85% believe that telephone companies should be able to immediately compete to win back their business. These numbers are very consistent right across the country.

As the TPR Panel noted, for too long telecom policy and regulation has been shaped by a misconceived need to protect competitors. Cable companies need no protection. They are some of the largest and most successful companies in Canada, possessing ubiquitous networks, multiple product offerings, and a well-established base of subscribers.

It has been a year since the Telecom Policy Review Panel report called for an urgent need to phase out regulation of retail services over a 12- to 18-month period. Twelve months have passed, and there has been no forbearance yet. None. Yet over the same period, the four largest cable companies have seen their combined market capitalization grow by \$14.4 billion. That is an increase of 61%. What you have witnessed is a massive wealth transfer, much of it from consumers, to cable owners. Why? Because consumers have not yet seen the financial rewards they expect from vigorous competition.

Mr. Chair, the TPR Panel concluded a year ago that Canada was falling behind the times in the telecommunications industry. The TPR Panel's message was clear, and I quote: "The urgency for reform...and the time constraints of the legislative process" necessitate taking steps "under the existing statutory framework, in advance of legislative amendments, in order to begin the reform process at an earlier stage".

In acting decisively, the minister is moving neither too fast nor too far. In our view, he is moving too slowly, and we think consumers agree.

As Mr. French told you last week, the minister is well within his authority, and he has proposed a proper economic test, one supported by the Competition Bureau and the panel. He has decided to take action and is exercising the powers given to him within the Telecommunications Act.

●(1535)

David Lloyd George, a great parliamentarian, once said, "Don't be afraid to take a big step if one is indicated. You can't cross a chasm in two small jumps." That is the kind of leadership that will ensure consumers finally enjoy the full benefits of head-to-head competition for their businesses.

Thank you very much.

The Chair: Thank you very much, Mr. Hunter.

We'll now go to Mr. Henry for an opening statement.

Mr. Denis Henry (Vice-President , Regulatory Affairs, Bell Aliant Regional Communications): Thank you. It is an honour to be here, Mr. Chair, and members of the committee.

Bell Aliant Regional Communications is the successor to the companies that offered telephone service in the four Atlantic provinces for many years. As of July last year, we acquired the regional operations of Bell Canada in Ontario and Quebec. As a result, today we operate a rather vast geography spanning six provinces.

Our serving territory includes some of the most rural and remote areas in Canada. At the same time, it includes some of the most intensely competitive telecommunications markets in Canada. In fact, competition from cable telephony was pioneered in Nova Scotia eight years ago, when cable operator EastLink entered the market. The CRTC itself has acknowledged the intense competitive rivalry in various parts of our region. As EastLink proclaims on its own website, the 902 area code is the most competitive telephone exchange in North America.

Customers may be forgiven for wondering why on earth, after eight years of competition, they are not offered the same types of bundled service offerings from us as they are from our competitors; or why they cannot be offered the same types of promotions from us as they are from our competitors; or why we cannot even offer to waive service charges when they are considering switching their service to us; or why we in fact cannot even contact them, not only about local telephone service but about any service, for three months after they move their local service to a competitor.

Customers do not comprehend these rules. In fact, most people I talk to have trouble taking me seriously when I explain that such rules persist in this marketplace. Yet persist they do.

Mr. Chair, almost three years ago we asked the CRTC to remove retail price regulation in certain parts of the Atlantic region, most notably Halifax. Some two years later the request was denied in the very forbearance decision at issue here, despite the fact that we had lost 35% of our wire lines in the Halifax market at the end of 2005. Atlantic Canadians can be again forgiven for perceiving a grave injustice from a regulatory regime that produces such an outcome.

It is why, in our comments on the proposed order, we have asked the government to right this wrong by granting forbearance in Halifax. At the very least, Halifax must be added to the list of cities to be processed on a priority basis. It would indeed be ironic if the Atlantic region, with the most competitive market in the country, were to be unrepresented on this list.

With all due respect to the CRTC, in our view, it's lost sight of the purpose of regulation, and that should be to protect consumers from potentially high prices in areas where they have little or no choice. Instead, as the TPR Panel confirmed, the CRTC has misplaced its efforts on attempting to shield competitors from market forces with rules that have long ago been abandoned or never implemented in other countries. Ironically, most of the countries with far less regulation have far less competitive infrastructure than Canada.

It is for all these reasons that we are so supportive of the leadership demonstrated by the minister's proposed changes to the CRTC's forbearance decision.

Many of those who oppose this change, typically our well-established and well-funded competitors, have attempted to scare the public by conjuring up images of dire consequences flowing from what they call "deregulation". Let us be clear, Mr. Chair. What is being proposed in the order is not deregulation—far from it. Remember what the proposed changes will do.

In areas where the competition test is not met, likely in the more rural areas, there will continue to be full retail regulation by the CRTC, including regulation of prices and quality of service. But even in areas where the competition test is met and forbearance is granted, a retail price ceiling will remain for all residential customers. I ask you, how many competitive industries have that?.

Furthermore, the CRTC will continue to regulate essential wholesale services and interconnection, thereby ensuring that competition will not be inhibited. They'll continue to impose social regulation to ensure that things like 911 and services for the disabled continue to be provided.

I would thus ask you to consider this. Does this reality coincide with the image of widespread deregulation that our competitors would have you believe will result from the proposed order? I think we can all agree that it does not.

Is it reform? Yes, it is reform, and it's long overdue regulatory reform. It's reform that is in keeping with rules adopted by Canada's major trading partners, it is in keeping with the types of reforms recommended by the TPR Panel almost a year ago, and it is in keeping with what Canadian consumers and businesses want and deserve.

• (1540)

Canada cannot afford to delay regulatory reform when other nations are already ahead and moving forward. As Ofcom, the U.K. regulator, recently found when it removed retail price controls, "regulation, if overbearing, can have adverse effects on the development of competition, service innovation and long term investment".

As well, we should not forget the link between productivity and regulation. In a study released late last year, the OECD found that lower productivity results for those countries with more restrictive marketplace frameworks.

For all these reasons, Mr. Chair, we believe Canada should embrace regulatory reform in this critical sector of our economy. We can take an important step in this direction by implementing the types of changes embodied in the proposed order.

Thank you, Mr. Chair, and members of the committee.

The Chair: Thank you very much, Mr. Henry.

We'll now go to questions from members.

We'll start with Mr. McTeague, for six minutes.

Hon. Dan McTeague (Pickering—Scarborough East, Lib.): Mr. Chair, thank you.

In light of Mr. Hunter's earlier comments, perhaps I could assure him and everyone else that our clerk is doing the very best he can to make sure that all parties have an opportunity to appear before the committee. It was really a question of first-come, first-served.

Mr. Hunter, I'm a little taken aback by your comments but not surprised. I know that PIAC was here, and you know they were here, and they were not supportive then of the initial decision. The Union des consommateurs did not support the position of the government

as well, and I'm sure there are other consumer groups that we will probably be hearing from in the days to come.

But I am taken aback most by your comments with respect to consumers. There's a poll that you and Mr. Carrie and the government keep citing, a poll that was, I understand, commissioned by you. This is the most recent Ipsos Reid poll, from which you cited the numbers of 93% and 77%—

This is the Ipsos Reid poll that your company commissioned.

Mr. Lawson Hunter: The Ipsos Reid one in January, we commissioned. The one I mentioned from 2005, that was done with PIAC, with Telus, with us, and the results are very, very consistent.

PIAC obviously didn't like the results, so they decided to do another one.

Hon. Dan McTeague: Mr. Hunter, why aren't you telling this committee that in the first place, the first question that was asked of those who participated was whether or not they were in fact aware of the impact on residential home service, and 84% were not even aware of this? Therefore you are predicating whatever number you have on the balance of 16%.

It's a little disingenuous to come before this committee and suggest that consumers support your position when in fact a very small number do. More importantly, it's predicated on a very small number.

How do you square that, Mr. Hunter?

Mr. Lawson Hunter: I square that very easily because of the methodology of polls. It isn't surprising to me, as I'm sure it isn't surprising to you, that in this unbelievably esoteric, convoluted, overbearing type of regulation that we face in telephony in this country, consumers aren't quite aware of it—

Hon. Dan McTeague: You say you have the support of consumers, Mr. Hunter, but—

• (1545)

Mr. Lawson Hunter: Can I answer, Mr. McTeague?

My answer is that I'm not surprised by that. And that is why in our questionnaire, which we did with Ipsos Reid, we provided enough detail in the question so that consumers could understand the question being asked of them.

As I said to you before—

Hon. Dan McTeague: Are you prepared to accept, Mr. Hunter—

Mr. Lawson Hunter: —if you look at all the polls, including the one Ipsos Reid did in December, the results are very consistent.

Hon. Dan McTeague: What's consistent, Mr. Hunter, is that you've not told us that a vast number of Canadians either didn't reply or weren't aware of the policy to begin with. It's rather disingenuous of you to come before this committee and suggest that on— based on 16%, perhaps 11% of Canadians actually support your position.

Mr. Lawson Hunter: It's more than PIAC represents.

Hon. Dan McTeague: Let me move on to another one, Mr. Hunter. You are a former director of the Competition Bureau. The CRTC made a number of comments. Obviously they weren't very happy about being unloaded or removed from the picture in this decision by the minister. I'm sure you'd probably feel the same way if suddenly the Competition Bureau were removed from an important decision that affected their area of jurisdiction.

Mr. Hank Intven was here on Monday. I'm wondering if you can tell me whether or not Mr. Intven had a hand in or worked with your company or was on contract with your company with respect to drafting the proposed legislation, the proposal that the industry minister came forward with on the order on forbearance.

Mr. Lawson Hunter: On the draft order in council? Absolutely not.

Hon. Dan McTeague: Thank you.

You suggested a little earlier as well that you were firmly of the view that this would be good for consumers in the long run. Mr. Intven came here yesterday and said that the TPR report should be done as a whole. He talked about it being an important document that required all aspects to be looked at. He was also distraught over the fact that many sections of this particular report were absent in the minister's direction, which you now clearly support.

Our position is that this has been cherry-picked to satisfy a certain constituency, namely Bell Canada and Telus, and obviously your supporters.

I'm wondering if you could tell us whether or not you believe it's important to maintain the entire integrity of the TPR report or if we can just get away on the skinny, as has been proposed by the minister and clearly by you.

Mr. Lawson Hunter: First of all, I completely disagree with your characterization of our position. We are the ones, as you may know, who have for a long time urged the government— including your government, I might add, which founded the TPR— to do a comprehensive study, not only of regulations but of the ICT sector.

By the way, let me just paraphrase something from the OECD study, which Mr. Henry cited. Productivity is a major issue in this country. The OECD study said that Canada, since 1995, because of over-regulation, has been losing 0.75% productivity gain every year.

Imagine what that would mean for the productivity of this economy. We are over-regulated. The OECD and many other international bodies say the same thing: there is too much regulation.

But let me come back to your point about the overall study. On the economic regulatory side, I looked at the—

You asked the question, Mr. McTeague. Do you want an answer or not?

Hon. Dan McTeague: I'm sorry, you're hearing things, Mr. Hunter. I didn't interrupt you.

Mr. Lawson Hunter: You were not listening.

Hon. Dan McTeague: I was asking the chair how much time we have left.

Mr. Lawson Hunter: I was going to say that of the 30 recommendations in chapter 3, 27 of them, to some degree, are being addressed by what the minister—

Hon. Dan McTeague: We don't want a re-monopolization of the industry, Mr. Hunter. Your company has benefited more uniquely than any other company, perhaps in Canada's history, with respect to regulation. We don't want a backslide to the days of monopolization. This is a program to do that.

I can tell you, Mr. Hunter, consumers are not impressed by the statement you made at the outset, which is absolutely false.

Mr. Lawson Hunter: Could I answer one other part of it?

In my view, it would be very good for this committee to turn its attention to the rest of the report, including the ICT and broadband portions of the report. In keeping with what the panel recommended, the minister is making the changes he can within the current legislative framework. But the legislative framework still needs to be fixed.

We're doing what we can today. We need to move on after this and change the whole framework. You should be looking at the ICT sector, but that's obviously not what the minister can do in the face of the decision from the CRTC.

The Chair: Thank you very much, Mr. McTeague.

We'll move on to Monsieur Crête. *Monsieur Crête, six minutes.*

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you, Mr. Chairman.

You quoted David Lloyd George, Mr. Hunter. He said, "Don't be afraid to take the big step if one is indicated. You can't cross a chasm in two small jumps." However, I would say that we do have to cross the chasm. We have to take the time to study the situation.

The minister, showing great good will, wanted to rush things, but he seems to have come to understand that the idea of reviewing the matter thoroughly was not so bad. This is what he said on February 9, 2007:

I would be very pleased to appear before INDU to discuss telecommunications with committee members. Since my schedule is very busy, I think February 19, 2007 would be the first date when I would be available.

So he seems to find the idea acceptable. He must respond by April 6. So we will try to give him some advice.

Later he said:

I am counting on the committee to make an important contribution to the discussions about these issues and to understanding them.

That even includes the issue of foreign ownership. Telephone service is one issue, but the entire strategic framework we have requires a more in-depth study.

That said, I would like to know whether you would be prepared to recommend any amendments to the minister's current directive. We need to determine whether we could take into account the comments we hear by consumer groups, for example, so that we feel we have adequate protection. The Commissioner of Competition referred to oil and gas. But the Conservatives do not seem to find this a very reliable model. Before we get into an operation of this type, they want to make sure there are adequate safeguards in place.

What do you think about this?

• (1550)

[English]

Mr. Lawson Hunter: I think there are modifications that could be made to the order to clarify the process. For example, a key issue is that in the three-competitor test it uses the word “throughout”. I think that's a pretty vague word, and it would be useful to try to clarify what that means.

I'm not sure what other issues you'd like me to address. I know that the small cable sector has raised particular concerns. I don't know whether something could be done there—perhaps there could. I'm not sure they need it, but they are smaller players.

By the way, I'm completely unsympathetic to the wholesale competitors. They're basically arguing that we should spend the capital and they should have access to it. According to every study that has been done—the TPR in the United States, the actions of the commission—encouraging that form of competition has really failed. We need to encourage investment, not “me too” type products. So I'm very unsympathetic to the issue on the wholesale side.

[Translation]

Mr. Paul Crête: Do you think we should consider having a sunset clause that would set a time limit? The minister would implement his order with a few changes, including one that it be tested for two or three years or for some reasonable period of time.

Could these companies agree with such an idea? Otherwise, is it not simply too big to swallow?

[English]

Mr. Lawson Hunter: I don't think in local forbearance—because you'd run into the problem that you'd do it, we'd meet the test, you'd deregulate it, then obviously there could be re-regulation under the test.

On what I think should be done is this. There was a recommendation from this committee—or maybe Mr. Rock announced it at one point—that there be a five-year review of the Telecommunications Act. As you may know, that exists in the transportation sector. I personally think that would be a very good thing to do, because technology is what's driving this industry, and the problem we have is that the act is over 100 years old.

[Translation]

Mr. Paul Crête: You are talking about a five-year period to review the act as a whole. However, I was referring more specifically to this: if there were a decision about competition in the area of local telephone service, before we have a more comprehensive report on the act as a whole, would you find it acceptable that there be this three or five-year period, which the government could extend? We would have to find the appropriate mechanism. In any case, as regards local telephone service specifically, is that something you could live with?

• (1555)

[English]

Mr. Lawson Hunter: To be honest—probably. I would worry about the practicality of how that would work, and what you would do once the horse was out of the barn. Getting it back in can sometimes be a problem. But the reason I would say yes is that I am so confident that there's going to be so much competition and choice. It's as plain as the nose on my face, which unfortunately is pretty noticeable.

The Chair: Thank you, Mr. Crête.

Mr. Carrie.

Mr. Colin Carrie (Oshawa, CPC): Thank you, Mr. Chair.

Thank you very much to the witnesses for being here.

I was hoping you could clear up a contradiction. We've had the cable alliance here, and I guess Bell Canada has been quoted as supporting win-back restrictions on cable companies in the broadcast distribution market. But in this market you're not in favour—so how can you say they're good for cable companies but not for you? What's the difference?

Mr. Lawson Hunter: Let's give you a little history about what happened there. There were no win-backs on the cable industry at all. They, as you know, got deregulated when they lost 5% market share, which of course happened a long time ago. The basis of that was the presumption that satellite was a ubiquitous competitor to cable.

Now, the reality is, for any of you who live in condominiums or multiple-dwelling units, you know that satellite really isn't an effective competitor in those situations. You talk about high market share. We did a study of what Rogers' market share in video in multiple-dwelling units is in Toronto—which, by the way, is 40% of all households—we think it's in the high 90s, because there's no effective competition.

So we complained to the commission after we had this win-back rule imposed on us, saying maybe there should be a win-back rule. They gave them 90 days, and it's only in multiple-dwelling units, it's not anywhere else.

By the way, two years ago I said to Ken Engelhart on a public platform that I didn't believe in it and that I was willing to make a deal with him that we would both go to the commission and we would both say it should be withdrawn. Ken didn't answer me. I followed up afterwards and said I'd made him the proposal, that I was willing to support the removal for him if he would support it for us. What do you think he said?

Mr. Colin Carrie: Thank you very much.

They told us Monday that because their customers in win-back must notify the telephone company of their intention to move their telephone number to another competitor, the telephone company has a unique opportunity to unfairly target its win-back efforts to these customers.

How would you respond to that?

Mr. Lawson Hunter: How I'd respond to that is that the half-truths are really, really disturbing. If Mr. Engelhart said that, as he well knows, the commission has had rules in place for some time regarding the passage of information between our wholesale business and our retail business. We cannot; it's illegal for us to hand that information from the wholesale to the retail arm, which would be engaged in win-back activity until after it's happened.

So this cannot and does not happen. He cannot point you to an instance where it has happened. In fact, as you probably know, most of the cable industry now, when they sign up new customers, are signing them up to year-long contracts anyway. So they're locking them in to a service for a year.

So we can't pass that information. We have rules in place. We have firewalls between our systems to make sure our retail businesses don't have access to that information.

Mr. Colin Carrie: Thank you for clearing that up.

Another thing we talked about was Bill C-41. If it were adopted, do you think it would help prevent the abuse of dominance in the market?

Mr. Lawson Hunter: Mr. McTeague knows this has been a hot issue in the Competition Act generally. We have said this is fine with us. Do I think it's necessary? No. But if this is something people think would be helpful to have as a special rule in telecom, that's fine with us.

Mr. Colin Carrie: One of the smaller companies said \$15 million for a big company like Bell—I think they did say Bell—would just be the cost of doing business, that they wouldn't mind doing stuff like that. How would you respond to a comment like that?

Mr. Lawson Hunter: First of all, it's \$15 million for every incident and every day, and it's not a little amount of money.

By the way, I think it is as big as the fine in the Competition Act for price fixing, which strikes me as much more egregious behaviour than what we're talking about here. So I think the fine is probably too high, to be honest.

People have to understand that reputation matters to companies like ours as well. It's not simply money.

• (1600)

Mr. Colin Carrie: Win-back restrictions, are they widespread throughout other countries, or is Canada alone in imposing them on the incumbents?

Mr. Lawson Hunter: The only other jurisdiction in the world we have been able to find that has any win-back rule—The U.K. doesn't have it, Australia doesn't have it, it doesn't happen in the EU. There are now in the United States, I think, seven—We did a survey of 38 states in the United States, and there's no rule with the FCC. The

FCC in the U.S. has deliberately considered this issue and said it was anti-consumer and was not appropriate.

Seven states out of the 38 states we surveyed do have a win-back rule. The average length is 7 to 10 days, and the longest is 17 days. There have been constitutional cases in the United States that have struck down these rules as being contrary to freedom of speech.

Mr. Colin Carrie: Thank you.

I have a quick question for Bell Aliant. You specifically mentioned Halifax as being highly competitive. Is that the only market in Bell Aliant territory that is highly competitive, or are there others?

Mr. Denis Henry: No, not at all. I'm not sure where to start here.

In New Brunswick, we have Rogers in Moncton, Fredericton and Saint John, which have about 30% of the population, and Rogers is about to enter Bathurst, Edmundston, and a couple of other cities, which have about another 30% of the population.

And we have EastLink in Sackville, New Brunswick. In Prince Edward Island, EastLink pretty much covers the whole island. In Nova Scotia, EastLink covers a vast portion of the province, and not just Halifax and Sydney. We've got Wolfville, Kentville, Mount Uniacke, Mahone Bay. I mean, they're quite small places.

In Newfoundland, we have Persona announcing its plans to enter the residential market in a big way, and we already have business competition through Rogers' acquisition of Group Telecom some time ago. So business competition in St. John's, Newfoundland, is quite vibrant.

And in Quebec and Ontario...it's all over the place. In Jonquière, Orangeville—

The Chair: Okay. I'm sorry, Mr. Carrie, but you're out of time.

We'll go to Mr. Masse.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

And thank you to our witnesses for appearing here today.

I want to back up a bit in terms of your opening comments. I don't want to start off with the wrong questioning here, but I do want to sincerely express that it's a little hard for me to believe you're just for the rights of consumers, given some of Bell's historic issues relating to pay equity among its workers and some of the customer service issues that my constituency has faced and the complaints that are coming in.

But I do want to take to heart that you're not able to offer services that that your competitors can. I think it's important to maybe get specifics or at least to paint the picture, because it's important that the ordinary customer who doesn't go through all this legalese relating to legislation can see the difference in terms of what's happening out there.

I would like to hear your case for that.

Mr. Lawson Hunter: Right, and unfortunately you're probably not going to be as satisfied as you would like, because what I wanted to try to convey in my remarks is that we are spending a lot of effort now to figure out the offers and promotions and bundles and pricing that we will offer consumers once we are permitted to do it. I think it's really unfair to ask us today to tell you that this is going to be the product and this is going to be the price, when we can't do it today. And if we did, we would telegraph to our competitors what we intended to do.

• (1605)

What I wanted to convey to you is, rest assured, we are not seeking this to do nothing. We're seeking this because we need to make these offers to consumers. We need to be able to compete.

Let me just give you an example of something we've obviously complained about and have been unable to do. We can't now engage in what is called price de-averaging, which basically means that if we want to lower our price, we have to do it for all our customers throughout our territory, or throughout Ontario and Quebec.

Let's take Quebec. We have Cogeco and Vidéotron who have entered into our markets and who have different prices from each other; Vidéotron's is lower and Cogeco's is higher. Now today, if we want to respond to Vidéotron at their low price, it means we would have to lower our price throughout the whole province, even where we didn't face competition—which is not really how markets work—and also where Cogeco has a higher price. If we did that, Cogeco would be screaming bloody murder that we were undercutting competition by pricing lower than they were, and if we did it in areas where neither one of them had entered, they would be screaming bloody murder that we're now pre-empting competition.

So we can't tailor our offers geographically to what the price is. So obviously that's something vitally important to us, as we have to be able to respond to competition as we find it, and we really can't today.

Mr. Brian Masse: Okay, I think that's part of the problem in terms of the concern, to use your phrase, about going over a chasm. Is the concern that you could have a couple of situations where you actually have less competition if there is the joining of a couple of companies or mergers or buyouts, or whatever they might be, and then believing that these other products are actually going to compete with lower prices—a path that industries haven't always taken?

I do want to move, if I could, to your Ipsos Reid surveys. Would you be willing to table those reports to the committee here? Are those documents that could be provided? I don't want to go through the whole detail of them and the methodology here at this point in time, but I would be interested if those reports could be made available to the committee.

Mr. Lawson Hunter: Absolutely. In fact, I think we circulated a copy of the Ipsos Reid report to every member of the committee. But I'm certainly willing to table it with the committee formally.

The Chair: We did get the December one. We have the Ipsos Reid one actually. We do have the one from December, yes.

Mr. Lawson Hunter: And if you're talking about the earlier one, the Decima one in 2005, which PIAC participated in, absolutely. It's a public document. It was part of our filing to the TPR Panel.

Mr. Brian Masse: And can I get the opinion of maybe both of you gentlemen with regards to foreign ownership?

Mr. Lawson Hunter: That's an interesting topic. Let me tell you what Bell's position has been on this. It has been that in principle we're not opposed to changing the foreign ownership rules, but we have said that it's important for us that the regulatory system get fixed, because if you open up foreign ownership in an environment where we are constrained, you may encourage more foreign takeovers than you otherwise might want. So we think that the two of them need to go hand in hand. I think the steps the minister is taking are certainly very important in that process.

The other side of it, as you know, is that telephony in its old sense—if you could separate that from the broadcasting content side of the world, and just say, okay, we don't really care about that—might be easier to do. But in today's world, as you know, where the Internet is a major source of content distribution, and all of the cable companies and all the telcos have broadcast licences as well, then if you just change it in the Telecommunications Act but don't change it in broadcasting, I'm not sure what you've accomplished.

The Chair: Let's get Mr. Henry on this. We're running out of time.

Mr. Denis Henry: Our position is very similar on that. In short, it would be putting the cart before the horse to implement foreign ownership relaxation with the current regulatory regime. You have to get that fixed first, or at the same time.

The Chair: Thank you.

Thank you, Mr. Masse.

We'll go now to Mr. Byrne, for five minutes.

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Thanks very much, Mr. Chair.

Thank you, gentlemen.

One of the things we keep hearing—and I apologize for the quick notice on these particular discussions here today—is a consistent message from each and every participant in the telecom industry, from wholesalers to net-based to facilities-based to cable—you name it. Everyone loves the TPR report. Everyone thinks it's the best thing going. Very few actually want to see it fully implemented.

Mr. Hunter, your statements here indicate that the minister is actually not going fast enough. Would it be your recommendation that the Government of Canada should look at the TPR Panel report and just implement it, as is, where is, without cherry-picking?

Mr. Lawson Hunter: I don't think it's cherry-picking, because the report said to do what you can now because legislative change is going to take a long time, and that's what the government is doing. So it's very consistent with what the report said.

What I am saying, as I said before, is that doing what you can under their current regime still doesn't fundamentally change the law, doesn't change the test in the act. And that, in my view, still needs to happen. So I think there's still work to be done here.

But the report itself says that you can't do it all at once; it's not going to be a big bang. And as I said, I do think there are very important things in the report about the ICT sector and its importance in productivity, and about broadband availability, which needs to be addressed too. Those aren't legislative changes, necessarily. But on the regulatory side, as I said, I think they're going very far. But it's not done. It still needs to get at the basis of the legislation. The objectives in the legislation need to get changed, and that's going to take more time.

• (1610)

Hon. Gerry Byrne: Who should decide what can be done? Is it the CRTC? How does that process work, in your mind?

Mr. Lawson Hunter: When you have proceedings in front of the commission, then there is the current legal regime, and the minister is using what he can through cabinet appeals or directives or whatever, and the commission does what it does. So that's operating within the framework. When you talk about legislative change, then obviously that's not the commission's responsibility. That's the minister's and the executive branch's responsibility. And, I suppose, parliamentarians can propose amendments as well, of course.

Hon. Gerry Byrne: What struck me about some of this is that there's a notion that it's David versus Goliath in this industry, that there are the big players and small players. You pointed out that Bell Canada Enterprises is a pretty big guy, and so is Rogers. In terms of market capitalization, Rogers has now exceeded BCE.

In the larger urban markets, you've demonstrated that there's a significant amount of competition. Some may argue that it's still fragile and that under certain orders it could be eliminated fairly quickly.

I want to zero in on places that don't get a lot of attention sometimes: rural markets, high-cost service areas. We haven't seen a whole lot of activity in my home province in the more remote communities regarding competition, despite the fact that it has been available. Facilities-based competitors still seem to dominate, and Bell Aliant is basically the only show in town in most cases.

Where is this going in terms of rural communities? If these changes were put in place, in particular for my interest, where do you see Bell Aliant going?

Mr. Denis Henry: There's no doubt that there will be some rural communities where there is no choice, and the current regime will apply in that case. There will be full price regulation. Now, that will change over time as competitors roll out.

In other places, as I pointed out—They don't have to be very large for cable companies to enter. To the small cable companies that come in here and say they will not invest, I would use Lawson's line: don't get fooled again.

It's all about bundles; they have to invest. As Mr. French said, the future is all about bundles.

I looked on their websites yesterday, and most of them provide high-speed Internet, which means they're already IP-enabled.

There's a recent report by one of the financial houses saying that the cost for cable to get into local telephony is three times less than the cost for telephony to get into video. The cable companies have a

huge advantage. Once they have this high-speed network, the upgrade cost is very reasonable. In fact I think the report I saw said that for a cable company, 70% of their capital expenditures are demand-driven. For a telephone company, 70% is fixed. That means these networks are very scalable. They'll be there; I have no doubt about it.

EastLink has proven it, and I remind you that EastLink has a circuit-switch network. These other companies are going to be moving to VoIP-based, IP-based networks. So they're probably going to have a cost advantage even over EastLink.

There's never been a cable company that's failed when it entered local telephony. Internationally nobody's buying this argument that I can find, this argument that we need win-backs or we'll be out of business. Why does no one in the rest of the world have these, including the U.S.? They don't buy these arguments.

The Chair: Mr. Henry, can you conclude quickly?

Mr. Denis Henry: Let me conclude with one remark. When Sheridan Scott, the Commissioner of Competition, was here earlier in the week—and I would agree—she said that we have to have policy that protects the competitive process, not particular competitors or a set of competitors.

• (1615)

The Chair: Thank you.

Thank you, Mr. Byrne.

We'll go to Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chairman.

Thank you for coming out today to be part of our discussions on telecommunications. It's been an interesting learning experience, maybe more for some of us than for others.

I have some pointed questions, and some of those you've referred to. The win-back issue has come up at every turn about the unfairness that it will create in some respects. I would like your comments on the notion, which we've heard, that win-back restrictions will drive your competitors out of the market.

Mr. Lawson Hunter: I absolutely do not believe that. As Denis said, and as I pointed out about the United States, there are no win-back restrictions there to speak of. It hasn't driven anybody out of the market there. The cable companies and others have entered the local market, and I don't believe it.

As well I will say here to you, as I said before, that if you're talking about the cable 90-day rule in MDUs, there's nothing stopping the cable industry from applying to the CRTC today to have that win-back restriction removed. If this order in council gets passed, we will support that application.

So there's no unfairness. We're quite willing to live with a world of no win-backs.

Mr. Bev Shipley: If you go back a few years, back to 1993 when long-distance telephone rates got deregulated, when that deregulation was brought forward the concern at that time was that it's "the same government that keeps on spinning the same tired line that deregulation is going to save consumers money. We can rest assured that it is not going to save money for the average consumer in the small, remote areas." That is a quote that came back many years ago.

I live in a rural area where it wasn't immediate. But now we obviously have all the competition, and I can tell you that we pay a lot less in terms of long-distance telephone rates than we did not too many years ago. Many people still fear that deregulation of the local telephone service will lead to re-monopolization. We have called it monopolization or duopolization of the industry.

I'm just wondering, can you add some comments to that?

Mr. Lawson Hunter: I think what's going to drive that is the economics of who can make money here. As for the cable industry, as is witnessed by my comment that in a year their market capitalization has increased to 61%, \$14.4 billion, that's the market saying that these people can provide a cost-effective product here.

You may recall that Jim Shaw—and I don't know whether it was when he was here—in one of his quarterly analysis calls said that they had—I don't know what it would be, but I would say maybe a couple of hundred thousand subscribers, which isn't a lot in this business, but they were already profitable. Their EBITDA margin was 40% and he expected it to go to 50%. Those are pretty sweet margins. He also said, nobody's driving us out of this business.

So there's money to be made here, and they're going to stay here, and that's good for consumers. To be honest, as I've said before, the regulatory regime we have today prevents us from competing, which is a bad thing for consumers, and it doesn't make the other guys compete, which is a bad thing. They don't have to compete; it's being given to them. And we can't. That is fundamentally in the long run what is wrong with this regime.

Mr. Bev Shipley: We've had a lot of discussion around the CRTC and the Competition Bureau in terms of the roles that they should play, and about the Competition Bureau not being effective in terms of being able to react in time. I'm wondering if you could comment quickly about the role of each of those in terms of their effectiveness in terms of this deregulation.

Mr. Lawson Hunter: I don't have a lot of good things to say about the commission, unfortunately, because I think they have been witness to this massive wealth transfer—if not the architects of it, as I said, which I think is completely inappropriate from a public policy point of view.

As you may know, I used to be the head of the Competition Bureau, and in fact I think the act we have today was largely my doing. Maybe I'm biased in my view about it, but at the time—and I think still to this day, if you look around the world, Canada has one of the best pieces of competition legislation in the world. It's world class, it's consistent with what other countries do, and I think we're well served by it.

The commission I think will continue to have a role, though. I think on the technical side of regulation, on social regulation, there's clearly still a role for the commission. But I think that, as the TPR

recommended and as other countries are doing, we need to be moving the economic regulatory portion over to the bureau and leave the social and technical to the commission.

• (1620)

The Chair: Thank you, Mr. Shipley.

We'll go to Monsieur Vincent.

[*Translation*]

Mr. Robert Vincent (Shefford, BQ): Thank you, Mr. Chairman.

You spoke earlier about the Ipsos-Reid poll. I know it was done provincially, but do you know whether it was done by regions or by major cities? Because there is a difference between the two.

[*English*]

Mr. Lawson Hunter: The survey, if you look at it, breaks it down—according to my recollection—by province or by region. It doesn't break it down between rural and urban. To be honest, partly because our territory is the province of Quebec, if you will, we wanted to over-sample in the province of Quebec so we would make sure that statistically the results of it were as good in Quebec. So we did overrepresent the province of Quebec. By the way, if you look at the results in Quebec, I think you'll see those high numbers that I already gave you, and in some instances the results in the province of Quebec were higher than in other provinces. I forget exactly what they are, but you can go through it province by province. There were very high numbers in the province of Quebec, and we did try to ensure that it was statistically valid in Quebec. It doesn't have a breakdown between rural and urban.

[*Translation*]

Mr. Robert Vincent: We're talking about maintaining healthy competition, but there must be three players involved to have that happen. In rural regions, the low population density discourages those who would like to come in and compete with the major players already in place. It's simply not cost-effective for them. They do not want to invest the funds required.

Is it possible that in Quebec, Bell Canada and Videotron might let a competitor take over 2% of the telephone or cable market, so that they could demonstrate to the Competition Bureau that there is a third player and that there is, therefore, competition?

[*English*]

Mr. Lawson Hunter: I have two or three answers to that.

First of all, wireless is in most of the country and most rural areas too, and there is competition there. Telus will be offering the service in rural parts of Quebec where they're not offering wired service. We're also going to see in the future—and I can't tell you it's now—with the advent of better wireless technologies—WiMAX, for example—really wireless high-speed Internet access. That will start replacing the wire-line network as well

As for whether there will be other players, we already have mandatory wholesale obligations. In our view it goes too far, but for truly essential proportions of our network we think there's still a need for that, and we're quite happy to make truly essential portions of the network available to third parties.

But there's something you need to be careful about here. All of the studies, including the TPR report, said that type of resale competition was assertive and artificial competition. If you think about it, they're really just taking our product, re-branding it, and calling it something else. They're buying it from us, so they have our cost base. Their margin to manoeuvre is pretty limited no matter what, because it's basically our service. That's why I think the notion of encouraging people to own their own facilities really will produce a more sustainable type of competition.

That's what is perverse about the commission's wholesale regime, because it basically discourages people from investing in building their own network. That's just bad public policy, as everyone who has looked at it has said. In fact, the commission just two weeks ago came out with a decision. We're a CLEC, one of those little guys out west, and we buy from Telus. The commission came along and lowered the price of Telus' services. We used to buy equipment and own our own facilities, but we looked at it and said, "Why would we do that? We'll just buy from them." That's not going to produce the type of competition we really need here.

•(1625)

The Chair: Thank you very much, Monsieur Vincent.

Members, we have votes this evening at 5:45, and future business at 5:30. We also have another group of witnesses, so we are going to suspend for a few minutes.

Thank you very much to our witnesses for being here for the first hour. We appreciate your testimony. If there's any further information, whether it's the polling information or anything else, please submit it to the clerk for us.

We'll suspend for a few minutes and ask the other witnesses to come to the table.

• _____ (Pause) _____

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•(1630)

The Chair: Members, let's take our seats now for the next witnesses.

For our second session, we were scheduled to have both Telus Communications and SaskTel. On behalf of SaskTel, we were supposed to have John Meldrum, the vice-president of corporate counsel and regulatory affairs. He sends his sincerest regrets, but he is unable to appear today. It was unavoidable. His flight could not take off from Regina due to a famous western Canadian snowstorm, so we will hopefully try to have Mr. Meldrum at a future date. We do have his comments here. I believe they have been distributed to the members in both official languages.

We do have two guests from Telus Communications. First of all, we have Janet Yale, the executive vice-president of corporate affairs.

We also have Mr. Ian Scott, who is vice-president of federal government and corporate affairs.

Welcome to both of you.

Ms. Yale, I believe you'll be speaking on behalf of Telus.

Ms. Janet Yale (Executive Vice-President, Corporate Affairs, TELUS Communications): Yes, thank you, Mr. Chairman and members of the committee.

[*Translation*]

I would like to thank you for inviting TELUS to come and meet with you today.

[*English*]

As you know, Telus is a leading national telecommunications company, with \$8.5 billion in annual revenue and 10.5 million customer connections, including close to 5 million wireless subscribers, 4.6 million wireline network access lines, and 1.1 million Internet subscribers.

We provide a wide range of communications products and services and face intense competition in every market where we operate. We believe, in fact, that competition has altered the very nature of our business. Basic telephone service, once a monopoly, now accounts for only 37% of total revenues, down from 72% in 2000. That's a huge change in just six years.

We fully support Minister Bernier's initiatives to bring the benefits of telecommunications competition to Canadians. We believe this will result in more choice and flexible pricing for customers and greater productivity for the Canadian economy. At the same time, the minister has been careful to ensure that Canadians without a choice of telecommunications suppliers will continue to enjoy reasonable rates and that all Canadians will be able to acquire stand-alone basic local telephone service at a capped or fixed price.

Competition in local phone service has taken off with the entry of cable companies into the business. Canada's major cable companies—Rogers, Vidéotron, Cogeco, and Shaw—are aggressively selling local phone service. Cable is now considered a more attractive area for investors than telecommunications, at least based on recent financial analyst recommendations.

Consumers have shown that they are ready and willing to change their local phone service provider. In our territory, Shaw has signed-up close to 300,000 customers since launching its phone service in February 2005. Just to give you some context, they've acquired more telephone customers since February 2005 than all competitors in that market had acquired prior to Shaw's launch. It's been a staggering entry, and very quick.

[*Translation*]

Two years after launch, Videotron has more than 400,000 telephone customers and describes the growth of its telephone service as "steady and impressive."

[English]

The cable companies are powerful new competitors to the so-called incumbent telephone companies. Unlike the struggling entrants of a few years ago, cable companies have sophisticated digital facilities that pass most Canadian homes. Unlike the competitors of days past, Rogers, Vidéotron, and Shaw have large financial resources, recognized brands, established customer bases, and the ability to bundle services into attractive packages. As has been noted here already today, Rogers' market capitalization recently surpassed the market capitalization of BCE. Perhaps most importantly, cable companies are the low-cost provider of a bundle of services, including high-speed Internet, digital TV, and, in many cases, wireless.

Cable companies are not the only source of competition. The Internet has shattered the economics of entry into local telephony, enabling more than twenty foreign and domestic companies to provide service in Canada. In addition, the substitution of wireless for wireline has grown to 8% of households in Alberta and 10% in the Lower Mainland of British Columbia.

The cable companies have told you they oppose the removal of the win-back rules prior to deregulation. We don't think that's what competition is all about. It's not about denying consumers our best offers. To make matters worse, the win-back rules mean that our competitors are under no pressure to make their best offers, since their customers are prevented from receiving win-back offers from Telus. That's just not real competition.

As the TPR panel suggested to you on Monday, restrictions like the CRTC's win-back rules are from a different era, when competitors leased facilities from incumbent telephone companies. At the time, the CRTC considered that this would help them get a stable customer base.

•(1635)

[Translation]

The situation today is much different. Cable companies already have stable and extensive customer bases and digital cable facilities now pass about 90% of Canadian households. As a result, vigorous competition already exists in major markets.

[English]

All of the evidence in Canada and abroad suggests that in a deregulated environment, widespread and vigorous competition results in an explosion of new and innovative choices for consumers. You don't have to look any further than the U.S., where cable telephony operating in an unregulated market has resulted almost overnight in the provision of widespread and vigorous competition in local telephone service.

The government's policy direction is the right one at the right time for Canada. It takes into account the major changes I've described in the competitive landscape that were ignored by the CRTC. Most importantly, it ensures that consumers, who are really at the heart of the policy framework, will receive all of the benefits that derive from a healthy, competitive marketplace.

Thank you.

[Translation]

I would now be pleased to answer any questions you may have.

[English]

The Chair: Thank you very much, Ms. Yale.

We will now go to Mr. McTeague, for a six-minute opening round.

Hon. Dan McTeague: Ms. Yale, thank you very much for being here as well. I've known both you and Ian from previous work in the past. It's good to see both of you here today.

Right off the bat, I would like to offer my most appreciative comments, but I may have a conflict of interest, Chair, as I have so many Telus workers who live in my riding. The actual head office is right next to my riding, right across the street from CTV. There's no irony there, of course.

If I could, Ms. Yale, I wanted to ask if it's possible that you have taken into consideration the document that was prepared by the Economics and Technology Inc., by Lee Selwyn and Helen Golding, "Avoiding the Missteps Made South of the Border: Learning from the US Experience in Competitive Telecom Policy". A number of recommendations are made in that, but the comment here is that "the US telecom industry will soon be almost as highly concentrated as it had been prior to the 1984 break-up of the 'old' AT&T."

There is grave concern that without taking into consideration every single recommendation made by the panel report, which we agree with and which is confirmed by Mr. Intven, it should be taken from a whole perspective. Do you believe we should proceed with a change in telecom policy by following this? Or do you believe we should be doing it only with the recommendations by the minister, which are really a very small number of the recommendations made in the TPR report?

Ms. Janet Yale: We obviously believe the minister should proceed quickly to implement the final order.

I would say a couple of things. We believe the TPR report should be implemented holistically. The first piece was to implement the direction to the CRTC, which has been done. The second piece of the report is to look at changes that can only be made through legislative reform. We are very supportive of proceeding to see comprehensive implementation of those recommendations.

I see this piece of it as somewhat different, because forbearance, as you know, was specifically not addressed by the panel. It was a matter in front of the CRTC at the time. From our perspective, it therefore really stands apart from the rest of the recommendations in the TPR report. We believe the minister has done the right thing in changing the CRTC decision, and we believe the changes that are set out in the proposed order in council should be implemented as quickly as possible.

Hon. Dan McTeague: I thank you for that.

Ms. Janet Yale: I hope I answered your question.

Hon. Dan McTeague: You have. Thank you.

One of the recommendations that was made has certainly created some concern. You may have seen the exchange between Mr. Hunter and me on the whole issue of the competition issue as it relates to more specifically understanding the markets that we are to deregulate as proposed by the minister. Would it be fair to say we'd be the first country to proceed with the deregulation of its telecom industry without knowing the kind of market we're deregulating in, in your experience?

• (1640)

Ms. Janet Yale: I'm not sure I agree with your supposition. I think we do know the markets we're operating in, so I'm having a hard time understanding the premise of your question.

Hon. Dan McTeague: In chapter 3, recommendations 4 and 5, the panel not only suggested that we have a hybrid CRTC and Competition Bureau institution or framework to govern the changes should deregulation take place, it also suggested that analysis of market forces should take place to understand the market as it relates to significant market power. That should be a first step before proceeding with all the other recommendations.

Setting aside the fact that the minister has only chosen a few of the recommendations in the report, I'm wondering if it's foolhardy for us to proceed with changes. You may understand the market, and we're trying to understand what the market is, let alone what market share or what market definition is. Would it not be prudent to at least first understand the market we're making changes in prior to jumping in because there's a group of people who say we're behind the eight ball?

Ms. Janet Yale: Well, I think I've already indicated to you that I don't agree with the premise, which is that the minister is implementing a subset of the recommendations in the TPR report. In fact, forbearance was specifically not covered by the panel, because it was a matter in front of the CRTC at the time. So the minister has exercised his prerogative under the act to intervene with respect to changes to that CRTC decision. I have to state that at the outset.

With respect to the markets in question, there is no doubt that for the time being, the CRTC has explicit jurisdiction over the entire telecommunications sector. It's only post-deregulation that we start to look at the interface between the CRTC and the Competition Bureau. Those two, between them, have more than ample authority, we believe, to address any issues that come up.

Hon. Dan McTeague: You say between both of them, but the CRTC is sort of set aside here. Would that not create some difficulty for you?

Ms. Janet Yale: I don't agree that it's set aside. In fact, there are quite a number of safeguards. There's actually an appendix to the CRTC's forbearance decision that lists all the safeguards that continue to operate post-deregulation, both for consumers and for competitors who rely on our networks.

One is the one I referred to in my opening comments, which says that post-deregulation, consumers are entitled to get stand-alone primary exchange service at the same rate that was in effect prior to deregulation. That's a very significant consumer safeguard, and it is untouched by the minister's order.

The Chair: Thank you very much, Mr. McTeague.

We'll go now to Monsieur Crête.

[*Translation*]

Mr. Paul Crête: Thank you, Mr. Chairman.

Ms. Yale, we have some major difficulties. One of them lies in the last sentence of your presentation. You said:

Importantly, it ensures that consumers—who are at the heart of the policy framework—will receive all of the benefits derived from a healthy, competitive market.

On the other hand, the Union des consommateurs, the people who represent consumers, came and told us their main concerns and said that the whole issue had to be studied thoroughly before getting caught up in this. Who are we to believe in this matter?

[*English*]

Ms. Janet Yale: In my view, at the end of the day, we all say that what we're doing is in the best interest of consumers, and it's public policy that has to decide who's right, with appropriate safeguards. We believe, certainly in our markets right now, that consumers are not getting the full benefits of competition because of the restrictions under which we operate.

Let me give you a good example. Shaw has a package of services they offer that includes local service, flat-rated long-distance service anywhere in North America or Canada, depending on what you want, high-speed Internet, and so on. We can't match it. We are not allowed to offer flat-rated long-distance service with local service, as a result of regulation.

Do consumers understand that they are not getting those kinds of offers from Telus because of regulation? Maybe they do, maybe they don't. But we know. We know that we can't match those offers and that we can't make those best offers to our customers. We believe that the experience of deregulation will prove to customers that they are not getting the best offers they can to date, not just from us, but from not keeping Shaw on their toes. Because of course Shaw is not, therefore, held to that same competitive standard.

• (1645)

[*Translation*]

Mr. Paul Crête: I quite liked the expression "a healthy, competitive market". If we do have some doubts about what will be introduced under the minister's directive, are there any amendments that you could suggest to the minister that would make it possible to achieve an acceptable consensus?

My comparison may be somewhat clumsy, but we are told over and over again that the gasoline market is a healthy, competitive market, but not even 20% of people think that. It may be competitive from time to time, but it is not healthy for the economy overall. At least that is my perception. We have already had an example of that.

In light of the minister's directive in its present form, what guarantee do we have that in five years we will not find ourselves in a situation in which we will say that we knew and that we came up with the same thing?

Would you be prepared to suggest some safeguards that we could include in the directive that would make it reasonably acceptable? As far as Bell goes, I spoke earlier about the possibility of a sunset clause. Would you be prepared to consider this and other similar measures?

[English]

Ms. Janet Yale: I would have two comments. One is that I think there are some safeguards already in the commission decision that people don't really understand, like the one I said with respect to freezing local rates for customers post-deregulation. The second, I would say, is that we believe the minister's order should be implemented as quickly as possible.

Having said that, if the committee wanted to suggest there could perhaps be a review of the state of competition after three years, not the order itself, but how competition has progressed post-deregulation—in other words, not slow down deregulation but suggest that we have a review in three years—I wouldn't have a problem with that.

[Translation]

Mr. Paul Crête: If the government were to decide to table a bill that would allow things to work properly, that is a bill that would overhaul the Telecommunications Act, a temporary decision about local telephone service could be implemented until the new legislation comes into effect. I do not agree with you. I think the minister has simply taken a piece of the puzzle, and we do not know how things will stand up if this measure is acted upon.

[English]

Ms. Janet Yale: Well, I think I agree we should get on with the project of implementing the new legislation. I do think it's time to overhaul the legislation, and perhaps a good place to embody, if you will, the kinds of reviews you're talking about being in the new act itself.

The Chair: *Merci, Monsieur Crête.*

We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair.

And thank you both for coming.

I only have one question. My concern is with the smaller companies, the companies that weren't absorbed by Ma Bell way back in the twenties and the thirties, the ones that still exist in northern Ontario and in some of the other areas. We've heard some concerns from some of those.

What about their ability to stay in business and to compete?

Ms. Janet Yale: Are you referring to small competitors to Bell, or small telephone companies?

Mr. Dave Van Kesteren: The small telephone companies.

Ms. Janet Yale: Well, I think you have to distinguish between regions of the country where there's likely to be competition and regions where there isn't. Certainly I can speak better about British Columbia and Alberta. Just to give you a high-level sense, Calgary, Edmonton and the Lower Mainland represent about two-thirds of our population. So there are large geographic regions that may not see

competition because they're not where the cable companies are. Cable companies choose where they will offer service, and unlike them, we have an obligation to serve everywhere.

Where there's no competition, nothing changes: CRTC regulation continues, consumers are protected by regulation rather than competition, and that's the end of it. This is really, I think, a debate about where competition will come, not where competition isn't.

● (1650)

Mr. Dave Van Kesteren: So there's really nothing founded in regard to their concerns that they're going to be eliminated. They can still compete and can still exist in the new climate that's going to be created? Nothing's changed?

Ms. Janet Yale: Where things have changed is where there is a full facilities-based entrant in the consumer market, and other than wireless, which is for the most part where the cable companies offer service—Where they are, there's vigorous competition; and where they aren't, regulation will continue to protect consumers.

Mr. Dave Van Kesteren: That's all, Mr. Chair.

The Chair: Thank you, Mr. Van Kesteren.

We'll go to Mr. Masse, please.

Mr. Brian Masse: Thank you, Mr. Chair.

And thank you to our witnesses for appearing.

I want to go to the first part of your page here to get a particular picture of what's happening at Telus. I know you've been making a lot of headlines recently with your phone pornography situation, but can you give us a better understanding as to what exactly is happening in your industry? Your basic telephone service is down 37%, but are your other services up or down, or is it just the telephone service?

Ms. Janet Yale: From 2000 to 2006, we've grown our revenues from roughly \$5.7 billion to \$8.6 billion, so this is a growing business. And at this point, wireless alone counts for about 50% of our revenues.

Mr. Brian Masse: So it's only that one segment of your—

Ms. Janet Yale: Right. So we're looking at the changing pie, if you will, in terms of the composition of our revenues. We made a bet, if you will, in 2000, in recognition that competition was coming, and that both from a competition and technology substitution.... As I said, 8% of households in Alberta and 10% of households in the Lower Mainland do not have a home phone. They don't have a home phone. They use wireless or other means to communicate for their primary communications. We saw that coming and said, how are we going to still grow and thrive in that environment? So we made a bet on data in terms of our Internet business, and we made a bet on wireless. So our business has grown dramatically on that side, even though we are, as a result of competition and technological substitution, seeing a shrinking voice communications business.

Mr. Brian Masse: You benefited quite well from regulations in the past, and I guess one of my concerns is that it seems that if we make some of these decisions, there would be very little to go back on in terms of changing the market again back in favour of consumers. We see in the oil and gas industry—and this was brought up here a number of times—you don't have to have collusion when there's actually no competition, because you have vertical integration in the entire industry. One of my concerns about communication and the infrastructure that we developed, at the end of day, is that it swallows itself up so much that there's only a few competitors.

Maybe you could respond to that. You've benefited from previous regulatory practices. How would there be a sense of fairness to making sure other markets are protected?

Ms. Janet Yale: The last market, if you will, that's regulated is the local telephone market. All the other aspects of our business are deregulated. We have been waiting anxiously, in fact, for the arrival of competition so that we can see that part of the regulatory landscape change as well. I think internally at Telus we wouldn't always agree that regulation has worked to our advantage, and I won't get into some of those debates. But there is a different view, I can tell you, around the executive table.

Having said that, regulation is a substitute for competition in terms of consumer safeguards and consumer protection. I can tell you that Shaw entered Fort McMurray, which is a huge and growing community, and now has 30% of the market in less than a year. These are new households. People come in, they know and understand they have a choice between Shaw and Telus, and more than 50% of new households are picking Shaw relative to Telus, which is why we've lost 30% market share in a year. Competition, where it exists, is vigorous and is the best protection for consumers.

Having said that, do you have to have safeguards? Absolutely. Has the commission put those in place in its decision on deregulation? Yes, they have. So there are lots of safeguards. The only question that's left is, at what point do you have sufficient confidence in competition that you can let go on regulation? We believe the minister's test is the more appropriate test than the one the commission put in place.

•(1655)

Mr. Brian Masse: That's fair enough. What I'm concerned about, too, is that we're talking about consumers, and everyone says to defend them, but the minister also never said anything about a consumer bill of rights, as well as the ombudsman office, and those things that are supposed to be done. But I want to move quickly to another question.

Ms. Janet Yale: No, no, but on that—

Mr. Brian Masse: That's a statement, not a question. Let me move to my question. I only have a couple of minutes left.

It's on foreign investment. There's a myth out there that there can't be foreign investment; the restriction is on controlling shares. I want to make that clear, but I would like to get your position on that situation, because it is being danced about in different ways in this debate.

Ms. Janet Yale: We have—

The Chair: Ms. Yale, you have a minute. But Mr. Masse, if you make a statement, Ms. Yale does have the right to at least respond to the statement.

Mr. Brian Masse: With all due respect, Mr. Chair, I can make a statement during my time period—

The Chair: And the witness has a right to respond to the statement.

Ms. Yale, you can respond to both or you can choose.

Ms. Janet Yale: Thank you.

The only thing I was going to say in response to you was that I think we support the TPR report as a whole. We support the implementation of its recommendations, and as I've already said, I don't believe the minister's order, which was about forbearance, which was explicitly not part of TPR, is taking the report out of context. And I've said that already.

As far as foreign ownership is concerned, we are on record as supporting liberalization of foreign ownership rules subject to the view that we should have our domestic house in order, in the sense that we should get the domestic regulatory rules right and then deal with foreign ownership liberalization. So our view is that the implementation of the TPR report and all of its recommendations, including recommendations around liberalization of foreign ownership, is the right way to go.

Mr. Brian Masse: Do you see a big difference between controlling shares versus non-controlling shares? There can be unlimited investment right now in non-controlling shares. It's really about who controls?

Ms. Janet Yale: Not exactly, because at the end of the day you have to be able to demonstrate that control in fact is not exercised by non-Canadians. So if non-Canadians have less than the voting control but own most of the non-voting, then you tread into the ground of whether or not control in fact is in the hands of non-Canadians.

Having said that, you're right, there is lots of opportunity for foreign investment under the current rules. The last bastion, if you will, is whether or not we tip over into control.

Mr. Brian Masse: Thank you, Mr. Chair.

The Chair: Thank you, Mr. Masse.

We'll go now to Mr. Rota.

Mr. Anthony Rota (Nipissing—Timiskaming, Lib.): Thank you, Mr. Chair.

And thank you, Ms. Yale.

I come from northern Ontario, which is not a very densely populated area and is somewhat rural, and I have some serious concerns. I don't want you to comment on one of Mr. Hunter's statements, but he mentioned something about their wanting to lower prices to compete in certain geographic areas.

When I hear “certain geographic areas” or “compete on a geographic basis”, what I hear is that you want to compete in the GTA, in Toronto, in Montreal, and really there's not much left for northern Ontario or rural areas. I see telephone service as an essential service basically. It's there, it's important, especially in isolated homes where your nearest neighbour might be three to four miles away if you're lucky; if not, maybe ten to twenty miles away.

What's to stop telecom corporations from abandoning acceptable levels of service? I mention that specifically because we can say yes, we're going to have service, but if there's no one there to provide an acceptable amount of service, I start having concerns.

I'll tie it to something else as well, and I know you're very strong on the wireless area. Out of the five companies that were given licences, there are basically three left. And they're there, they're competing, but over the last, let's say, five years—and I'll use Telus as an example, and I don't want to be disrespectful or anything—the coverage in northern Ontario has been less than stellar as far as wireless service goes.

I see this coming up—and maybe I'm paranoid but I speak a little from past experience—and what I see happening is large centres getting exceptional prices, exceptional service, and rural areas in northern Ontario being abandoned. Maybe you can comment on that.

Ms. Janet Yale: As I said earlier, we have an obligation to serve everywhere. So every time there's a new house built, we have an obligation to provide a line to that house as part of our regulatory obligations. As I said, it's an interesting obligation, given that in the Lower Mainland of British Columbia 10% of those homes don't actually take service, even though we have a line into them.

So everywhere there's a home we have an obligation to provide service to that home, and to date the CRTC has regulated every element of that service, not just the price but the quality. We have quality of service measures that apply to the provision of our service on a retail basis in terms of installation, repair times, time to answer phones at our call centres, and so on. Every aspect of our service is regulated, so you don't cut quality, because that aspect of our service is regulated today and there are penalties that apply for failure to meet those quality of service obligations.

So I don't believe that in the absence of competition there is any threat at all to customers, because they are completely protected under the regulatory umbrella today. I don't think customers in rural and remote regions are at any risk of abandonment or deterioration of service. Having said that, where competition is more intense, we want to be able not just to watch customers walk out the door because we can't respond to competitive entry, but to be able to offer innovative packages to them.

Does that mean we're going to limit the benefits of competition to those customers and not try to bring those innovative services and products to customers in all parts of our territory? I think competition will bring benefits to all customers and not just those who happen to live in the regions where the competitor has entered.

• (1700)

Mr. Anthony Rota: I guess what you're saying is that the spearheading will happen in densely populated areas, and eventually the rural areas will get it as it comes through.

I'll ask a quick question based on your answer. You mentioned something about how people in the rural U.S. are getting service and it's working out well. What is the comparative cost for someone living in downtown New York to someone in very rural Arizona? Or maybe in a similar state, let's take Las Vegas to Arizona. Is there a large difference? I mention this because in your opening comments you did mention the rural U.S. Can you give a relative outline? If not, I understand.

Ms. Janet Yale: I don't have that at my fingertips. I can tell you that generally speaking, the OECD reported that local telephone prices in Canada are among the lowest of all OECD countries. So there's no question that Canadians do very well on a comparative basis. I don't have the urban–rural pricing in the U.S. at my fingertips, but I can provide it to you.

Mr. Anthony Rota: That's what I was concerned about, the urban–rural differential.

The Chair: Thank you.

Thank you, Mr. Rota.

We'll go to Monsieur Arthur.

Mr. André Arthur (Portneuf—Jacques-Cartier, Ind.): Thank you, Mr. Chair.

There are rules, regulations, and CRTC's, but we should not forget the experience of Air Canada. Once it got out from the skirts of big mother government, it had to fail miserably before it was able to compete in its own world. Yet it was a flag-carrying airline.

There's also corporate culture. How do you get a corporation that has been privileged by regulations over the years to be able to compete in a dynamic matter—for instance, Telus?

Good afternoon, Mrs. Yale.

Ms. Janet Yale: Good afternoon.

Mr. André Arthur: My riding in the western part of Portneuf is Telus-connected. If we had a referendum in Portneuf, you would be thrown out instantly for the poor quality of your service, the arrogance of your people, the incompetence of your technicians, and for the rates that you have gotten approved by the CRTC. My own riding office cannot connect to the parliamentary system because of the poor quality of your lines. Yet it is in a fairly big little centre that's called Donnacona.

How do you think Telus will acquire a corporate culture that will enable it to give Canadians service that competes with the cable and other people who will be at your throat when the government stops protecting you?

•(1705)

Ms. Janet Yale: I'm not personally aware of the difficulties in your riding with respect to our quality of service. Obviously our operations in the Telus Quebec territory face different challenges from those in other parts of our operating territory, where there is denser population.

We do take quality of service very seriously. We actually believe that quality of service is not something that should be dictated by the CRTC, but by our customers. Also we think about the CRTC requirements as sort of a minimum, not a maximum, level when it comes to quality. We do take pride in our ability to serve our customers well. If there are particular issues, I'd be happy to follow up with you.

What I can tell you is that if we don't keep our customers happy, then they will leave when competition comes. It is one of the best incentives to make sure we address any quality of service issues that we have. So we recognize that in increasingly competitive markets, it's customers and their ability to leave us that makes sure we keep them happy.

Mr. André Arthur: Are you looking forward to the right of those people to leave you? Because in my riding, they will.

Ms. Janet Yale: We don't want them to leave us. We recognize that we have to keep them happy or they will leave us. It's not that we want them to leave. We want them to stay. We want to satisfy them and delight them with the full suite of services and products that we offer.

All I'm saying is that if we don't do so, they have the ability to leave in a competitive market, and they will do so if we don't keep them happy.

Mr. André Arthur: Do I still have time?

The Chair: You have one minute left.

Mr. André Arthur: Is the corporate culture of Telus able to adapt to real competition when quality of service becomes the next best thing after price? Do you have the corporate culture to face the competition? Do you show it beforehand, or are you hoping you can have it grow under you because now is the time to have it?

Ms. Janet Yale: We believe we are an adaptable organization that does take quality of service very seriously at both the retail and wholesale levels, because of course our competitors do depend on us for infrastructure, and the current test of deregulation requires us to actually meet certain levels of quality of service to our competitors before we can actually be deregulated.

So we take quality of service very seriously. We are investing heavily in quality of service at both the retail and wholesale levels. We see the imminent arrival of deregulation in large parts of British Columbia and Alberta once this order in council is passed. We believe that the best way to keep our customers happy is to delight them.

The Chair: Thank you.

I have Monsieur Crête and Monsieur Vincent.

Go ahead, Monsieur Crête.

[Translation]

Mr. Paul Crête: Ms. Yale, what percentage of your clients would be affected by deregulation as a result of the minister's directive?

[English]

Ms. Janet Yale: I can tell you that Calgary, Edmonton, and the Lower Mainland represent about two-thirds of our customers. Those are three of the ten communities that the minister identified as a priority. If you recall, the order in council talked about the top ten communities across Canada for deregulation. Our priority will be to focus on those three communities for deregulation.

[Translation]

Mr. Paul Crête: But overall, what percentage of your clients would be affected by deregulation?

[English]

Ms. Janet Yale: It changes every time Shaw enters a new market. I would say that by the end of 2007 Shaw will be serving between 70% and 80% of our customers. I can verify that for you, but it's their decision to enter that determines where we can be deregulated.

[Translation]

Mr. Paul Crête: If I understand correctly, 20% of your clients would not be affected by deregulation?

•(1710)

Ms. Janet Yale: That is correct, between 20% and 30%.

Mr. Paul Crête: Consequently, even if these people are not affected by deregulation, do you not think that there would be significant pressure on the CRTC, or any other body with the responsibility of making the decision, so that ultimately, the deregulated market would have such an influence that those who are still regulated would ultimately be caught up in the trend?

[English]

Ms. Janet Yale: I completely disagree with that. I think it is all the more reason for the CRTC to continue to regulate where there isn't competition. Where there is no cable company, there will not be competition for some time to come. In the absence of competition, the regulator is there to stay, and we have always accepted that that should be the case.

[Translation]

Mr. Paul Crête: When the CRTC has to make a decision about an area where 15% to 20% of clients live, it will look at what is happening in the rest of the world, in the rest of the country, and it will be influenced significantly by this. Let us take the example of Quebec. In Montreal, Bell and TELUS compete, as they do in other large centres, and suddenly some territory will be regulated. Whether we like or not, the CRTC, or some other body, will say that the telephone market as a whole means that the trend exists. Is that not so?

[English]

Ms. Janet Yale: I don't agree. The test for deregulation is done exchange by exchange. In an exchange where there is competition and we pass the test, we'll be deregulated. And where there isn't, which will be in very large geographic regions.... As has been pointed out by a number of people here, there are vast geographic regions with small pockets of population, and I think the appropriate and remaining role for regulation is to ensure that consumers in those regions and in those areas continue to be protected by the CRTC.

[Translation]

Mr. Paul Crête: Earlier, I asked a question to which I did not get an answer. I mentioned the fact that consumer groups have told us the exact opposite to what you are telling us. We are going to have to choose, or at least to understand the two messages. Essentially, the consumer groups say that it is not true that we're ready for total deregulation. They prefer the approach of the CRTC, even if the percentage were lowered.

What should convince us that the situation is as you describe it, and not as they describe it? They have a past and they know that the consumer, with the exception of the price, does not have much control over what is offered.

Just in closing, I would like to give you what I think is an eloquent example from the aviation sector. The aviation sector was deregulated, and now it is terrible trying to get from Rimouski to Ottawa. It costs a great deal of money, and there are almost no flights. If the same were to happen with telephone service, it would not be good.

[English]

Ms. Janet Yale: I think it's the law that's the safeguard. The Telecommunications Act requires the CRTC to regulate, except where there is sufficient competition to protect users. The law is not changing, so where there isn't competition, the law requires the CRTC to continue to regulate. I don't know why consumer groups would think the CRTC is going to abandon its responsibilities under the law to do so, because it's the law that requires them to.

The Chair: Okay, thank you.

We'll go now to Mr. Shipley, please.

Mr. Bev Shipley: I have just a quick question. The whole telecommunications field is changing so quickly, and you've made reference to that a number of times today. In fact, we're sort of surprised to hear you talk about 5% to 10% of some areas where they actually don't use their phones, they use wireless.

You make an interesting comment on the first page. You said Shaw has signed up close to 300,000 of your customers. You have to remember that Shaw was a small independent just a few years ago that has now taken off. Yet you're talking to us about the significance of and how important it is for the panel's recommendation to go forward and for deregulation to go forward.

You're saying, we've just lost 300,000 customers, but we still agree that for the customer it's still the best thing to happen. Is that a true statement?

Ms. Janet Yale: We're watching those customers walk out the door because we don't have a competitive offer. Shaw's the only one

putting their best offer on the table. Our price, every aspect of what we do, is completely regulated. So where is the vigorous competition that's trying to allow the customer to choose from two great offers?

Shaw has their great offer. Our price is the same price as it's always been. It's completely regulated. We can't bundle. We can't have flat-rated long distance the way Shaw does. There are a whole bunch of things we just can't do, so that's why they're walking out the door in droves. It's very frustrating. Competition is absolutely working in one way, in one direction.

•(1715)

Mr. Bev Shipley: Will that deregulation, then, in your opinion, help those customers?

Ms. Janet Yale: Well, for sure. It'll help all customers. Where Shaw's offering service, customers will have to choose between their best offer and our best offer. Right now Shaw puts an offer on the table and we can't match it.

The Chair: Thank you, Mr. Shipley.

Mr. McTeague.

Hon. Dan McTeague: I just wanted to build on what Mr. Shipley has just talked about, and I think he referred to it a little bit as wireless. I'm interested in getting the opinion of your company. It has a significant role to play in a relatively unregulated market, recognizing, of course, the spectrum licence you've had for some time.

We've seen the exits of two vigorous competitors, and concomitant with that has been the complete rise or similarity in price between the two competitors that remain. We also see here, from the TPR report, that Canada lags in the world in many new mobile wireless services and features. Perhaps the largest gap between Canada, the U.S., and other countries is with respect to the implementation of third-generation high-speed data services.

I go back one more page, page 1-18 of the report, where it talks about mobile wireless subscribers per 100 inhabitants of OECD countries: Canada is second to last at 47.2%, between Turkey and Mexico.

You have, in effect, a fairly strong presence in the wireless market, and everyone turns to the wireless market as being the solution of the future. But if it's any indication, and by these kinds of examples, I think the committee's rather nervous that, given what we see in wireless here, we may in fact see the re-monopolization among three players in local telecom, such that you might see what has happened south of the border in the United States, where a number of entrants have simply left, leaving consumers with less innovation, fewer new products, and of course with stable higher prices.

How do you square the position of your company in wireless with these high prices, as demonstrated by Merrill Lynch's comparison with the United States and with what the TPR report had to say?

Ms. Janet Yale: Obviously we have a different view of the competitiveness of the wireless market. Living it on a day-to-day basis, I can say that it certainly feels vigorously competitive when you're out there trying to win customers.

We believe the industry is indeed competitive. There are many brands out there. It's not just the three players who have their own infrastructure. There are other brands to choose from—Virgin, Fido, and so on. I think it's misleading to look at the market from just a customer perspective in terms of the three players who have their own infrastructure.

Secondly, there have been significant decreases in prices over the years. We actually prepared a study that examined the state of competition in the wireless industry. We'd be pleased to provide a copy of that to you. The study has quite a different view of the facts than the ones you suggest.

One difference between Canada and the U.S. that you have to take into account is where we are in the state of evolution of wireless competition. Wireless competition started in Canada a number of years later than in the U.S. If you actually compare us in terms of the number of years there's been wireless in the market, we're kind of on par with the U.S.

I could go on and on here, giving you a whole bunch of examples to show you the facts with regard to the state of competition in wireless. I don't think there's any risk of a lessening of competition in the wireless market, and I don't think, in the wireline local telephony market, there's any risk of re-monopolization. We have two wires into every home—the cable wire and the telephone wire—both of which are now broadband wires that can offer a full suite of telephone service, Internet service, and television service to the benefit of consumers.

Hon. Dan McTeague: Pardon me; that is something that does interest us, but I was referring to several facts and figures that were here in the TPR report, without drawing conclusions as to what they mean. Of course, the recent decision by Merrill Lynch, which also, as it turns out, did a primer on this originally—

• (1720)

Ms. Janet Yale: And the study I'm referring to, by Gerry Wall, addresses very much the facts in that report. We would be pleased to provide the committee members with copies.

Hon. Dan McTeague: Okay.

With 99.5% wire coverage of the Canadian population, and 97.5% wireless, can you explain to me why the rates in Canada are higher, relatively speaking, than the rates in the United States?

Ms. Janet Yale: In wireline, as I already indicated, that's not the case.

Hon. Dan McTeague: In wireless, sorry.

Ms. Janet Yale: Right.

I've given you some examples of why I don't think that's an accurate reflection. Our pricing is competitive when measured against the pricing of most trading partners. It's broadly similar relative to the United States.

As I said, I think it would be most helpful if I provided to you the details from the Wall report, because I don't think that's an accurate portrayal.

Hon. Dan McTeague: Mr. Chair, I'm just going by what is written here in the report. These are not my opinions, they're the opinions of the blue ribbon panel.

Thank you.

The Chair: Thank you, Mr. McTeague.

I'm going to take the next Conservative spot. It's the chair's prerogative.

Obviously implementation was one of the issues raised here. The telecom panel clearly says, I believe on page 13, that the minister should have started with a policy directive with the proposed order, implemented it that way, and then amended the Telecommunications Act in a second step.

One thing that was raised, and very legitimately, by the vice-chair was with regard to the fact that the CRTC—and witnesses have said this—is quicker in its decisions than the Competition Tribunal. That's one of the concerns. Therefore, the TPR panel recommended a telecom competition tribunal.

Now, I just want to get this on the record, although I believe I know the response: Telus supports the establishment of such a telecom competition tribunal.

Ms. Janet Yale: Yes.

The Chair: Okay. I just wanted to get it on the record, that this obviously should be part of the implementation.

I want to make a second point, Ms. Yale. You mentioned Shaw's 30% penetration rate in Fort McMurray. I want to deal with the Edmonton area. Obviously, coming from there, I know the city very well. It's a city with suburbs of about a million people.

What percentage of the telephone market would Shaw have at this time, best estimate?

Ms. Janet Yale: That's not a public figure. The Fort McMurray figure is public only because we have actually put an application in front of the CRTC for deregulation in Fort McMurray under the commission's original deregulation tests.

The Chair: You can't say, then?

Ms. Janet Yale: Well, obviously it's competitively sensitive information for us to talk about city-specific losses.

The Chair: But you say that Shaw has signed up close to 300,000 phone customers. Can I assume some are in Fort McMurray, but primarily in Edmonton, Calgary, and the Lower Mainland?

Ms. Janet Yale: That's correct.

The Chair: I think it's safe to say that would fall under the 25% forbearance figure.

Ms. Janet Yale: Well, if you looked at Calgary, Edmonton, and the Lower Mainland and counted our losses to Shaw, as well as the households using wireless only—because in Calgary, Edmonton, and the Lower Mainland we don't serve close to 10% of households because they take wireless only—we'd pretty much be at the 25% threshold in those three cities, give or take. Without getting into the details of what is competitively sensitive, those are the kinds of losses we're seeing.

The Chair: One of the things the cable companies say is, look, in some areas we'll be at the 25% figure and the telecom companies should just be satisfied to live by the 25% because in some markets we'll in fact be at that figure, or are at that figure right now in the case of Fort McMurray. So why not leave that 25% in place?

Ms. Janet Yale: My answer to that is they've had a two-year holiday to get market share, and in that period we've not been able to respond.

It's cold comfort for us to find out we can finally be deregulated, after we've lost so many customers since Shaw entered in February 2005. The real issue is why we weren't deregulated sooner, and it's that 25% threshold that stood in the way.

The Chair: I want to do this from a consumer's point of view in Edmonton. The reality you're facing as a consumer in Edmonton is that you can currently bundle cable, Internet, and television—and television with many different options—under Shaw, whereas as a consumer of Telus you can obviously bundle telephone service, both wireline and wireless, and Internet. I think that is the minister's rationale in going forward—and we'll obviously hear from the minister. It's in situations where you have competition like that where he will allow deregulation to occur. In rural areas, about which Mr. Rota reasonably raised a concern, that's where we will not deregulate. So I think that's one of the points to make.

And in Edmonton, if one moves from Telus to the full bundle Shaw offers, what you're asking for is to be able to contact that customer the next day and say, in the future, look at Telus again as an option.

Would you be willing to do what Mr. Hunter proposed here before? He certainly proposed something with Bell in terms of its satellite service, but you're certainly in favour of win-back, and yet you won't actually benefit from any win-back provisions in any other way, which some have argued Bell benefits from in other ways.

• (1725)

Ms. Janet Yale: On the win-back front, I think there's a little bit of a misconception. People think we can actually win customers back before they switch to Shaw. Practically speaking, that can't happen, and I think Mr. Hunter explained that. The way we find out they're gone is that they've left; it's not before they've left. So it's after they've left that we want to be able to entice them back.

There are CRTC restrictions that prevent us, as you noted, from bundling. Yes, we are able to offer telephone service, Internet, and TV in a package, but we can't offer it at a bundled price because of the bundling restrictions that the CRTC imposes today.

The Chair: So your competitor can bundle, but you cannot.

Ms. Janet Yale: Basically, that's absolutely correct. So all we want to be able to do is compete.

The Chair: Okay, thank you very much. I appreciate the two of you coming in here today.

We have the presentation from SaskTel, as I said, and we encourage members to read that as well. If you have any further information for the committee, please pass that along to the clerk.

Members, if I could just indulge your time, we do have future committee business at 5:30. I know that some members have left. Frankly, I think we can deal with this within 5 to 10 minutes, as I do have some agreement on some issues.

I'll suspend for a minute here.

[*Proceedings continue in camera*]

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