



House of Commons
CANADA

Standing Committee on Industry, Science and Technology

INDU • NUMBER 046 • 1st SESSION • 39th PARLIAMENT

EVIDENCE

Wednesday, February 21, 2007

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Chair

Mr. James Rajotte

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• (1530)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): Order. We will commence the 46th meeting of the Standing Committee on Industry, Science and Technology, continuing our study on the deregulation of the telecommunications sector, pursuant to Standing Order 108(2).

We have two panels with us today. Our first panel, from 3:30 p.m. to 5:00 p.m., deals with competitive local exchange carriers.

We have a number of witnesses here today. I'll just read the list of witnesses in their order of presentation. We have, first of all, from Distributel, the president, Mel Cohen; from Telesat Canada, the chief financial officer, Ted Ignacy; from Access Communications Co-operative Limited, Jim Deane, president and CEO; from Persona Cable, Dean MacDonald; from Barrett Xplore, Mr. John Maduri, the chief executive officer; and from Bluewater TV Cable, we have the president, Tim Stinson.

Welcome to all of you. We do have an hour and a half, but as we do have a number of witnesses, we've asked that you limit your opening statements to three minutes. Then we'll go immediately to questions from members.

Mr. Cohen, we'll start with you for up to three minutes.

Mr. Mel Cohen (President, Distributel): Reliance on market forces is clearly more desirable than complex overregulation, but for market forces to be effective, we need rivalrous behaviour that's real. This does not mean duopolies. It means a diversity of service providers, as we see in the long-distance market.

Deregulation does not lead to lower consumer prices, competition does. Deregulation prior to effective competition will have the opposite effect.

I joined the telecom sector about 28 years ago. Throughout those years, the CRTC has conducted an orderly dismantling of the telephone companies' monopolies with great success. One of their decisions—that resale of telephone company service was in the public interest—was the inspiration for Distributel. I started that long-distance company 18 years ago on the principle of resale of Bell services.

Since then, we have invested millions of dollars in equipment and facilities. Most importantly, over 200,000 customers, 95% of them consumers, take advantage of our innovative offerings.

For the past two years, Distributel has been developing an Internet-based telephone service. Here's a flyer for that service. On

the left panel is the Internet-based telephone service. On the right is our resale-based high-speed Internet service, and in the middle is a bundle of the two.

Here's what will happen to these offerings if we lose our wholesale DSL tariffs. We would love not having to depend on other carriers' wholesale tariffs. But what are the alternatives? Co-location in the telephone companies' central offices is costly and slow and even then does not reach access to consumers served by remote equipment.

We had hoped that wireless might be the alternative. In January 2005 we bid millions of dollars in Industry Canada's auction for the 3.5 gigahertz spectrum. In region after region we bid to the highest level that we thought economical, only to have our highest bids trumped by Bell Canada. So for now, to stay in this business, we need good cost-based wholesale tariffs.

On Monday you heard praise for the CRTC's success in deregulating the long-distance market. Why, then, is it being overruled in the local-services market? The minister's policy directive, a triumph for the large telcos, will surely be disruptive. Just last Friday, Bell Canada used it as the basis for an application to repeal three of the CRTC's latest orders concerning wholesale Internet services.

Though we frequently disagree with CRTC decisions, the process leading up to them has always been fair and transparent. Please use your influence over the government and its industry minister to retreat from premature regulation. Let the CRTC continue to introduce competition, then deregulation, for the ultimate benefit of Canadian businesses and consumers.

The Chair: Thank you very much, Mr. Cohen. Now we'll go to Mr. Ignacy.

Mr. Ted Ignacy (Chief Financial Officer, Telesat Canada): Thank you, Mr. Chairman, members.

Telesat appreciates the opportunity to appear before the committee to review the telecom policy review report and its recommendations as they pertain to satellite operators in Canada, and Telesat in particular. Dan Goldberg, our president and CEO, was hoping to be here today, but unfortunately he is unable to attend.

Telesat has invested nearly \$3 billion since its inception and has delivered state-of-the-art satellite services to millions of Canadians without regard to where they may live in this vast country. The satellite service markets are inherently international, due to the coverage capability of satellites, and Industry Canada has licensed over 70 foreign satellites to serve Canada.

Telesat's competition therefore not only comes from other telecommunications carriers in Canada but also from the largest satellite operators in the world. As a result, there is a compelling need to update the regulatory framework to ensure that Canadian-licensed satellite operators are not at a competitive disadvantage relative to their much larger international competitors.

The Telecommunications Policy Review Panel recognizes the forces of competition at play today in Canadian telecommunications, and urges fundamental change to the current regulatory framework to rely more heavily on market forces and less on regulation to ensure that the public receives high-quality innovative services at competitive rates.

Telesat fully supports such an approach in the satellite sector. The current regulatory regime is in fact dual regulation, where both the CRTC and Industry Canada have added increasing layers of regulatory requirements involving fees, licence conditions, public policy objectives, industrial benefits, and ongoing regulatory reporting and filings. As our foreign competitors are not subject to such burdensome and costly regulatory requirements by their national regulators, Telesat is placed at a significant competitive disadvantage, compounding the disadvantages that already flow from our sub-scale position in the international market.

Of particular importance to Telesat is the approach followed by regulators when assigning new orbital locations in spectrum. Regulators in the United States, Europe, and many other countries around the world apply a licensing approach that favours spectrum aggregation by a single operator at a given orbital location. This licensing approach encourages a satellite operator to aggregate multiple frequency bands at a given orbital location so as to enable the operator to leverage the benefits of larger satellites.

In short, Telesat requires a similar opportunity to structure its business going forward, based on a regulatory framework that is consistent and harmonized with those of other jurisdictions and that allows us, our customers, and the Canadian public to capture the substantial public policy benefits that flow from a policy that favours spectrum aggregation.

Thank you.

• (1535)

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

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

Mr. Jim Deane (President and Chief Executive Officer, Access Communications Co-operative Limited): Thank you, Mr. Chairman, and good afternoon.

I'm here representing Access Communications Co-operative Limited of Saskatchewan. I'm here today because I want local competition to flourish in every part of Canada, including all regions of Saskatchewan. I do not believe the local competition should develop only in the major metropolitan areas where the incumbents compete against well-capitalized cable companies such as Rogers, Shaw, or Vidéotron. The government's goal should be to ensure that all Canadians benefit from competition, regardless of where they live.

With that in mind, I have serious concerns about the approach to deregulation that has been proposed by the federal government and Minister Bernier. Access Communications provides cable television and Internet service to customers in more than 30 communities in Saskatchewan, and we face considerable competition in these markets. Increasingly, our primary competitor has been our own provincial government through its crown corporation, SaskTel. With the support of Saskatchewan taxpayers, SaskTel is able to offer subscribers a complete range of communication services, including local telephone, cable, wireless, and Internet access.

For competitive reasons, Access made the decision and the considerable investment last year to enter the local telephone market. In making that decision, we relied on the fact that the CRTC had put in place a framework for forbearance that would prevent an incumbent telephone company from using its market power to stamp out competition. We launched our telephone service for Regina two weeks ago, and we're encouraged by the response we've received to date.

We are concerned, however, that our attempt to provide choice to the residents of Regina, and hopefully our other markets in Saskatchewan, will be unfairly inhibited by the market power of SaskTel. Until two weeks ago, SaskTel had been the sole provider of local service in Regina. It continues to hold a monopoly over every other community in Saskatchewan, with the exception of Saskatoon. In this environment where a crown corporation is starting with 100% of the market share, a fair and sustainable competitive market will only develop if mechanisms are in place to prevent it from eliminating its competitors. The existence of regulatory mechanisms designed to limit market power are vital in the smaller cities, like Regina, and even more critical in smaller cities like Yorkton, Estevan, and Weyburn.

Sustainable competition simply cannot develop in these smaller markets where a 100-year-old government-owned monopoly has the ability to crush competitors. With this in mind, I'm urging the government to ensure that a market dominance test for forbearance continues to apply in markets outside the 10 most populated metropolitan areas, and particularly in the province of Saskatchewan.

In addition, I believe win-back and promotional restrictions should be retained in those markets until this market test is met. Without effective regulation that limits the ILECs' market power, sustainable competition will simply not develop in my province. I believe all Canadians should benefit from competition regardless of where they live.

Thank you.

● (1540)

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

We'll now go to Mr. MacDonald.

Mr. Dean MacDonald (Persona Cable): Thank you very much. It's a pleasure to be here today to talk about what I call the "reward the incumbent" order.

I'm so bloody mad at what's come down. It's absolutely ridiculous. What I recommend to all Canadians is that we all take out a full-page ad in *The Globe and Mail* that says, phone your telephone company and tell them you're moving to the cable company for your phone service; they'll drop their price and then short the stock. And you know what? If we do, we'll all make a ton of money, because that's what's happening.

I represent Persona, 650 systems across Canada. I am rural Canada: we have more systems in Canada than everyone else combined.

We launched a phone service in Sudbury last week. So a customer phones us and says, I'd like to take your phone service, but I'm going to call the phone company. He phones the phone company and here's what he's told: his \$41.95 rate for Internet goes to \$34.95; his phone rate, from \$94.35, goes to \$64.92; and his TV service goes from \$57 to \$45.60.

We have a policy that the minister is recommending whereby there's no win-back rule. I'll get a customer and I'll phone the telephone company and say, here's the customer. The phone company will go, great, thank you very much, we'll phone that customer. They will, and they'll tell the customer, hey, instead of switching over to Persona, here's your deal.

We have to figure this out. Either we're going to make a fortune by shorting the stock of the incumbents or we're going to really make competition happen. I can tell you that this order is a farce. It's an absolute farce. It cost us \$8 million to launch service in Sudbury. I have another 649 systems I'd like to launch service in. But under these rules? Not a chance.

Rural Canada is getting screwed by this rule, and that is a fact.

Those are my comments. I can't wait to answer your questions.

Thank you.

The Chair: Thank you, Mr. MacDonald.

We'll go to Mr. Maduri.

Mr. John Maduri (Chief Executive Officer, Barrett Xplore): Barrett Xplore is a national rural broadband service provider, and 2006 was our first full year of operation, with both our satellite and fixed wireless services in the market.

Our satellite service, launched in conjunction with Telesat, offers a ubiquitous national footprint for broadband, ready now to serve and deliver service anywhere in Canada.

Members of this committee should have in front of them a map outlining the dispersion of our customers across Canada's great geography. Quantum advances in satellite and wireless technology position rural Canada at a historic and critical juncture to benefit from greater choice, competition, and the availability of broadband service. We believe these technologies best fit the characteristics of rural markets and deliver urban-quality broadband to rural Canadians.

Those making inroads into the furthest reaches of Canada are not necessarily the brand names that you might recognize. There are numerous entrepreneurial and innovative new service providers that have recognized the rural broadband opportunity and moved to fill the need.

This is why we support and applaud the Government of Canada as it moves towards greater deregulation in telecommunications. Ultimately, we believe, this means a freer marketplace and more competition, translating into greater choice and better value for rural Canadians.

What can the Government of Canada do to facilitate the deployment of broadband in rural Canada? First, careful scrutiny or diligence to avoid future decisions like Telecom decision CRTC 2006-9, which uses deferral accounts and hundreds of millions of dollars to push the telcos or ILECs to compete with us in rural Canada. In our view, this type of market distortion will, ironically, slow the deployment of rural broadband, discouraging new entrants who already have invested heavily and effectively deliver service today.

Second, processes to award wireless spectrum must take the differential nature of rural Canada into account. Improved access to spectrum for rural providers is vital if your goal is to level the broadband playing field for rural Canadians.

Third and finally, there's an opportunity to learn from, and possibly replicate, Alberta SuperNet, a province-wide Internet backbone network that reaches into the hundreds of communities in rural Alberta. Since mid-2005, this innovative PPP model has encouraged the investment of private capital and the entry of more than 60 service providers delivering broadband to rural Albertans.

On behalf of Barrett Xplore, I thank you for your time and consideration.

• (1545)

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

We'll go now to Mr. Stinson.

Mr. Tim Stinson (President, Bluewater TV Cable): Good afternoon.

I'm the president of Bluewater TV Cable, which is our family-owned business. Bluewater provides cable TV, digital cable, and Internet services to 10 different communities with approximately 7,000 subscribers. The communities we service range in size from hamlets of 20 households, to our largest market that services 3,000 subscribers.

Our family has been in the cable business for 40 years, serving rural and remote communities. The communities we serve have virtually no growth. Over the years, the only way for us to initiate growth has been through the addition of services. The demographic we service is not one that thrives on technology. As such, we see lower penetration levels on Internet and digital services than in large urban markets.

About two years ago, we began evaluating voice. We found that due to our rural location, we did not have access to a CLEC reseller, such as MTS Allstream, which has been instrumental in other successes. As a result, our costs are significantly higher.

Every small operator serving small rural markets has significantly different business models than those serving large urban centres. Access to these resellers' demographics, population density, and higher per subscriber costs contribute to this.

Knowing the current regulatory regime, we decided to make the heavy investment for voice. We were actually testing this with a few friendlies when the minister made his announcement. Since then, we have suspended all of our efforts due to the uncertainty the order creates in our rural markets.

Every dollar invested in these companies is financed 100% privately by the shareholders. The only shareholders are my immediate family. Collectively my family shares all this risk. We have found that voice, if done properly, is not equipped to market inexpensive service. We believe the minister's order deters competition in rural Canada. The mere presence of competition does not create a scenario where small companies such as Bluewater can compete. In every market we service, the incumbent, in most cases Bell, has 100% of the market share.

In the small markets, the current market tests and win-back rules are the best to ensure competition has a chance to grow. The only other alternative we can suggest would be a grace period after the launch of service. This may allow small operators the opportunity

enjoyed by larger operators that have been successful thus far. Without market tests, or at the very least a grace period, after launch, competition simply will not develop in rural markets throughout Canada. The companies are just too small and do not have the market power to compete against Bell and other telecom giants.

The question we're asking ourselves is, do we want to enter the voice market and deregulate Bell Canada? Is that a wise move for a small player in a rural market? We're not asking for relief from competition. What we're asking for is a chance to compete. As proposed today, we are not afforded that chance.

Thank you.

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

I want to thank all of you for being so concise with your opening statements.

We will go to questions for members.

For your information, members will typically address their questions to one witness or two witnesses. If you want to address the question, you can indicate that to me and I'll try to ensure you address it. Be aware that members have six minutes and then five minutes, and it's a short period of time. Let's be concise in our answers as well.

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

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

On behalf of my party, the Liberal Party, I want to express our gratitude to you for taking time out of your very busy schedules. Many of you come from more distant areas and are of course operating much smaller firms. But your is a voice that would otherwise not have been given any consideration had this committee and its members not decided to hear from all players on this.

I want to ask most of you this, if I may. You can choose not to answer this. It will be a very simple question.

The minister decided to set aside what was called a telecom competition tribunal, which would have had both the expertise of the CRTC and the force of the Competition Bureau to look into cases after deregulation to prevent predatory pricing and to prevent a number of anti-competitive activities. It will not be the case now.

In my interpretation, the minister has instead proposed a very flimsy variant based on administrative monetary penalties contained in a bill that we're going to have to pass.

The bill says there will be a deterrence of some \$15 million against anyone who engages in anti-competitive acts after deregulation, if the tribunal indeed agrees to it. From previous experience, it will take several months, if not a year, before a tribunal will be able to make a decision on an anti-competitive act.

Given the scale of your companies and the fact that you rely so heavily on the ILECs and the incumbents for much of your service, if \$15 million goes back to the public treasury and it takes a year to resolve the problem, how long do you think you will survive? Can you tell us categorically whether or not you would be in business during that period of time?

• (1550)

Mr. Tim Stinson: I know categorically that we'll be out of business. If it takes seven months, we won't have a chance to start. We'll be done.

The Chair: Does anyone else want to comment?

Mr. MacDonald.

Mr. Dean MacDonald: Why put your money into that risk? It's a joke; come on. I mean, if I seriously asked people around this table if they would be willing to use their hard-earned dollars to bet on the risk that it's going to work out, it's not going to happen. That's the reality. You thwart competition and you thwart innovation.

You know what? This is supposed to be consumer friendly, but it becomes anti-consumer all the way.

The Chair: Mr. Cohen.

Mr. Mel Cohen: I would say that for giants like Bell and Telus, a penalty of \$15 million is only the cost of doing business.

The Chair: Mr. Deane.

Mr. Jim Deane: I would echo what Mr. MacDonald talked about. As with his company, we've spent a lot of money on launching telephones in Regina. We'd likely continue, but the chances of us launching in Weyburn, Yorkton, Melville, or Kamsack would frankly be zero under this regime.

Hon. Dan McTeague: In that case, I would take it that for a good part of Canada, outside the urban areas that some of us represent but for rural Canada, this is a recipe for disaster, as you quite readily pointed out.

Mr. Cohen, you talked a little bit about the win-back program. In the TPR report, the report from which the minister chose some of the recommendations, they said win-back is not a bad thing; it just happens to be the way it is.

What effect is it going to have on your business? Are consumers really going to win in the end?

Mr. Mel Cohen: No. I think Mr. Bernier characterized win-back restrictions as denying consumers access to rivalrous behaviour. It is no doubt what he learned from the incumbent telephone companies, but they're misleading. They make you focus on the small part of the market that has already taken advantage of rivalrous behaviour by moving to the competitor.

In contrast, win-back allows the monopolies to maximize the revenues they extract from the vast majority of consumers. Instead of advertising their best prices and making them available to most

consumers, they can keep them quiet and then roll them out in a very targeted and anti-competitive way at the people who choose to lose them. It's far less costly for them to do this. To the extent that they succeed, it drives our acquisition costs up.

The one other thing I would add about win-back is this. The most insidious thing about it is that the only ones who can use it are the incumbents. If I make a sale to a new customer who leaves the telco, Primus can't call that customer up and try to win them back. Vonage can't do it. Rogers can't do it. The only one who knows it has happened is the incumbent. And why does the incumbent know it's happened? Because the incumbent started with all the customers, and that's a legacy of their monopoly.

Hon. Dan McTeague: In your estimation—in a very brief answer, because I only have a few seconds left—what will be the outcome in a year or so? Do you foresee a situation where the former monopolies will re-monopolize?

Mr. Mel Cohen: I don't think it will happen like that because they're up now against some very big giants. Rogers also is no small player. Vidéotron is no small player. But taking away the restrictions on win-back certainly does retard the growth of competition, especially by smaller competitors.

The Chair: You have 45 seconds.

Hon. Dan McTeague: Could I get a picture of new innovations, Mr. MacDonald and Mr. Stinson? I realize that, in Mr. Stinson's case, you have very small markets, but there's a suggestion that somehow this will be a boon for consumers, obviously in only certain regions of the country now.

What kinds of innovations can we expect when there are fewer players left in the industry?

Mr. Dean MacDonald: Actually, the biggest innovation you could possibly have is...when we didn't exist, the price of your telephone was a lot higher than it is today. That's simple and plain. We brought in competitors. We bundled our services differently from those of the incumbent. As a result of that, consumers are winning. But if we don't get a chance to get off the starting line, it doesn't happen.

So that's the biggest innovation you want. That's the biggest innovation Canadians will appreciate. They're going to get a cheaper bill. And if we're not there, they won't. I don't know why we're rewarding an incumbent who has overcharged. I just don't get it.

• (1555)

The Chair: Did you want to comment on this?

Mr. Tim Stinson: I agree with Mr. MacDonald. The only other thing I'll add is that from a technological standpoint, innovation won't grow in rural Canada. There are many companies like ours, with 10,000 subs, 7,000 subs, or less—1,000, 100—and it doesn't happen. We won't start. We won't put the money forward to do it.

The Chair: Okay.

Mr. Dean MacDonald: Can I just add something to that?

In Newfoundland, where I'm from, the cable company that I used to own, Cable Atlantic, we were the first jurisdiction in North America to provide Internet service to all schools. We were the first in North America. That was a decade ago.

Innovation does come from the small guys. We have to do it out of necessity. The big guys didn't do it. Bell didn't do it, which claimed it was such a great beacon for Canada. The reality is that the first group that did it was us.

So it happens.

The Chair: Thank you.

Thank you, Mr. McTeague.

We'll go now to Monsieur Vincent.

[*Translation*]

Mr. Robert Vincent (Shefford, BQ): My question is for you, Mr. Cohen.

You said that colocation was expensive. The two biggest players are Bell Canada and Videotron. Should we decide to deregulate, we need at least three players to ensure healthy competition.

Would it be possible for the two major players to choose a small player to integrate into their phone or cable service in order to ensure competition? As you said, \$19.99 or \$19.49 in hookup fees is no longer a good price for people. However, if a small player were to be inserted by a big player, there would be competition.

Would it be possible for the big players to choose any small player by handing it a small part of the market in order to secure competition?

[*English*]

Mr. Mel Cohen: Anything is possible. If you're referring to the three and three, I don't think we need to have a third player. I think we just need to have a wireless company as the third player, but certainly it could happen. It won't be Distributel, I can assure you of that.

[*Translation*]

Mr. Robert Vincent: I understand. Earlier you talked about colocation. I would like to hear your honest opinion on deregulation, as it is being proposed by Minister Bernier. What could happen? Mr. Stinson said that after seven months, he could simply fall off the radar. What would you recommend to ensure healthy competition?

My question is for the entire panel.

[*English*]

Mr. Mel Cohen: Honestly, I think the CRTC was doing a fine job. They've demonstrated to us in the past that they know how to introduce competition into a market. They don't deregulate before the competition is established. I think that's the kind of thing we need in the future.

• (1600)

The Chair: Mr. MacDonald.

Mr. Dean MacDonald: This answers your question in a bit of a different way. In Newfoundland, by way of example, we need to buy circuits from the telephone company to offer Internet service in a lot

of very rural areas. By the general rules, they're supposed to provide those to us within 30 days. Generally it's been taking us 90 days, 120 days, a year to get those circuits off the telco. We talk to them, we work with them, and we do everything we can so our customers can be well-served by it. They're not.

The reality is that when you're dealing with the guy whose customers you're trying to steal, if you think for one minute he's going to be helpful.... It doesn't work; it's just human nature. He's not going to make it easy for you, and that's the reality of it. It's that simple.

The Chair: Mr. Vincent.

[*Translation*]

Mr. Robert Vincent: Do you wish to add anything?

[*English*]

The Chair: Mr. Stinson.

Mr. Tim Stinson: I believe the CRTC was on the right track with their idea for deregulation. The market tests were sound. It allowed the entrant an opportunity to service the customer. It allowed the consumer the chance to try the product before they were attacked by the incumbent trying to get that customer back.

I really believe that's the model we should follow.

The Chair: Mr. Deane.

Mr. Jim Deane: I think we're on the same page here. No one is advocating that we shouldn't have a competitive environment with market forces determining pricing. It's simply a question of how we get there.

In order to have sustainable competition we need some protections in the short term. I view these as temporary measures.

I agree with my colleagues here that the commission got it right by establishing these temporary measures—the 25% threshold—to allow us to be sustainable and have a business model that works over the long term. After that, let's take the gloves off. Let's let market forces determine what pricing is going to be. That's good for every consumer.

Thank you.

[*Translation*]

The Chair: Mr. Vincent.

Mr. Robert Vincent: It is exactly for that reason that market forces exist, and that was the thrust of my first question. Once we reach the 25% threshold, market forces will take over. The two big players cannot share the market alone. If they want to ensure healthy competition, they will have to allow a third player to enter the market. As you were saying, the colocation of services with other competitors is very costly. They can therefore choose a competitor, and sell their services at \$12 or \$13, thereby leaving him a share of the market and gobbling up the rest. That should ensure competition. However, this is not feasible for other players, such as yourself, who should be in the market. No room is being made for these players.

What do you think?

[*English*]

The Chair: Mr. MacDonald.

Mr. Dean MacDonald: I think your point is well stated. Going by the example I gave of Sudbury, the test is that you can have three competitors, one of them a wireless; the reality is that the guy in that market is discounting his Internet service, his phone service, and his TV service. I mean, every market in Canada has wireless service.

So it's a really poor test. It just doesn't work. At the end of the day, it encourages us not to invest because we can't do that. That's the bottom line. It's a very poor test.

The Chair: Mr. Stinson.

Mr. Tim Stinson: If you take that test one step further, try using your wireless service outside of an urban market. Come to one of my communities and try to talk on your cellphone. It just doesn't work, or if it works it doesn't work well. What quality of service do we need to build into these tests? I would say they certainly aren't there right now.

The Chair: Thank you, Mr. Vincent.

We'll go to, Mr. Carrie, please.

Mr. Colin Carrie (Oshawa, CPC): Thank you, Mr. Chair. Thank you very much to all the witnesses for coming here today.

One of the things we've looked at is in the history of telecom. We can look at the long distance example. Back in 1993 the long distance price was 35¢ per minute, and now it's down to about 10¢ per minute. At that time, about 10 billion minutes were being sold; now it's up to 35 billion minutes sold.

At that time, these were the things we were hearing from the opposition: ...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 was stated in 1993. Here's another quotation: The average Canadian and the average small business operator in Canada will be the losers.

And here's another quotation about the bill:...it is a document that opens up one very large avenue which is of great concern, and that is the whole process of deregulation, it is a document that essentially harmonizes this with the North American free trade agreement and in the future may put Canadian jobs at risk.

This is what we heard from the opposition back in 1993. The reality seems to be that the exact opposite has happened.

In every country out there that has worked on deregulating local telephony—we're talking about Sweden, Hong Kong, Denmark, Finland, Germany, New Zealand, Norway, the U.K., Australia—there has never been found an instance of non-competitive behaviour. We hear that the incumbents are going to be ganging up and are going to be using influence, but it seems that in the world market this hasn't been the experience.

To Telesat, you've mentioned that you are an international company with interests elsewhere in the world. We haven't heard a lot about satellite companies. How many countries are you in and have experience in?

• (1605)

Mr. Ted Ignacy: We're currently providing service in Canada, the United States, and through many of the countries in South America.

Mr. Colin Carrie: Given that Telesat has extensive international experience, would you say that the government policy is consistent with the general trend outside Canada?

Mr. Ted Ignacy: Yes. As you'll find in our written brief...

You know, I have to state that our position in the industry is a little different from that of everybody else here at the table. We are an international player, and the problem we see with telecom regulation in Canada it's that it's one size fits all. When we compare ourselves with our international competitors, many of which are significantly larger than we are, we find they don't have the same burden of regulation we have. They don't have the licence fees; they don't have the regular reporting requirements and the kinds of contributions we have to make back into the domestic economy. They're not facing those things and yet they have significant economies of scale.

Our view is that, from the viewpoint of telecom policy framework in Canada, if you're going to support a satellite business, there has to be a change in the telecom policy. We need deregulation to occur more quickly than it has over the last several years.

Mr. Colin Carrie: We've heard from other witnesses who are saying this entire industry is growing by leaps and bounds and becoming internationally competitive, and that we need to modernize our regulations. We had a comment today too from one of the witnesses, saying that innovation won't grow in Canada if this goes through.

To Mr. Maduri from Barrett, it seems you're a rural broadband service provider. Would you agree that innovation won't grow in Canada if this goes through?

Mr. John Maduri: I'd say that inasmuch as there are examples of regulation gone right, there are also examples of regulation gone wrong. There's the example of the deferral account, where there is activity in rural Canada to deploy and we're deploying with the benefit of Telesat's Ka-band satellite service. We're deploying wireless broadband service. There is a new model in the province of Alberta, something called SuperNet, where the government working with Bell has built a province-wide Internet backbone.

All of those initiatives are new. Disruptive technology is on its way, and those are great examples. The question is, can regulation keep up?

We have the example in our view of the world that deferral account is regulation gone wrong. We're competing. We've invested \$50 million in private equity, private capital, over a period of about 18 months. Today—2006 would have been our first full year of operation with both satellite and wireless—we have 35,000 rural broadband customers.

So I think those are indicators that innovation is working. The challenge for us, though, is a situation of regulation gone wrong, and with the deferral account, an example where the regulator was trying to create, incent, or assist urban, local telephone competition, \$621 million is captured in the deferral account and a decision is made to push that into the rurals to help with broadband. Again, you have a very distortionary decision that has a very negative impact on our business model.

So yes, innovation is happening. Disruptive technology is here and it's not necessarily being contained in Canada. The forces are global. They're not just Canadian, and we have to be prepared to adapt. The question is on whether regulation is adapting. We have a very specific example in the deferral account where we don't think it is keeping up. It's not reflecting the advances in business models nor in technology.

• (1610)

The Chair: Mr. MacDonald has indicated that he'd like to speak.

Mr. Dean MacDonald: I hate the dots you're connecting. I really do. First off, we're saying as a group here that we're going to lower prices by being in the business. So we're not saying that prices will stay static and it's going to rise; that's just a bad connection.

Wherever you got that idea, that's not going to happen.

Mr. Colin Carrie: Which dots, sir? Can you explain a little further?

Mr. Dean MacDonald: You're saying that the guys 10 years ago said long-distance rates won't go down, etc. The reality is that we're proving when we introduce our service that prices do go down. That's what we're all about. That's why we can succeed if we're actually allowed to compete. So that's a huge point, and I don't want you to lose that.

So that's very important. The other point it's really important that you should recognize is that in urban Canada the model's working. The larger companies have gotten market share. But the rules changed a month ago or two months ago, so all of us guys around this table who are in rural Canada, we're not even playing by the same rules any more.

So the rural Canadian companies who want to introduce this service are now penalized. Guess what? You don't get competition there, and that's wrong.

The Chair: Thank you.

Sorry, Mr. Carrie, your time is up.

We'll go to Mr. Masse.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair. Thank you for the presentations here today.

I think I'll switch topics a little bit and just ask about foreign investment restrictions. This has been talked about. To be clear, there are no real restrictions on the amount of capital coming in. It's voting shares that have the restrictions right now. If we move towards deregulation and also loosen up the restrictions on foreign ownership, I'm wondering what your positions are on that. I'd like to know whether or not you agree with the lifting of those restrictions.

Despite what has been talked about, there actually has been a lot of investment in this industry. The argument for lifting foreign ownership restrictions is that there hasn't been the capital put into the actual industry.

I'd like your comments on that. Whoever would like to respond, it would be appreciated.

The Chair: Mr. MacDonald, do you want to start?

Mr. Dean MacDonald: I'll respond, because a significant portion of our company is owned by U.S. investors.

The easiest answer to your question is that if we're going to have restrictions, I guess we don't mind that everywhere else on the planet we're restricted to the same rules; that we're not allowed to invest anywhere else in the world. Explain to me why it should be different. I'd like to buy a cable system in the U.S. or in Europe or wherever, but if we follow the rules that Canada has, I guess I'm not allowed to.

So I can't grow if I follow Canada's rules. I don't get it. It's just wrong. It's just absolutely wrong. It actually underscores the fact that we don't believe in ourselves and our ability to own and manage these companies.

The Chair: Mr. Masse.

Mr. Brian Masse: I'll move on to the CRTC, which had a decision with regard to the overpayment and charging it to customers. Bell, Telus in particular, had serious overcharges, and the CRTC ruled that those funds would then go into a development fund, perhaps, to do Internet service in rural areas. That's being contested in courts by consumers who are suggesting those funds should be returned to them.

Say a model comes out where that money actually then goes back to the incumbents to be able to use that towards rural development. It's been an extra surcharge on their customers in a series of places. Will that put you at a competitive disadvantage with regard to their now having this equity that came from overcharges in services to put back into their own development of rural service to the outside?

The Chair: Who would like to respond?

Mr. Maduri.

Mr. John Maduri: It would absolutely put us at a disadvantage. We're going through a process today where I'm sure a number of my fellow colleagues here have submitted their business plans, as well as the current communities that they're serving, with broadband service. I think we're very clearly on record as saying yes, that's an issue.

I think the bigger issue, though, is for the broad category called rural Canada. Because if you look at those proposals, and I guess probably the largest, those hundreds of millions of dollars I think in the case of Bell Canada's submission, and I hope I'm correct in this... \$455 million will advance rural broadband by 2.5%.

That still leaves a significant swath of rural Canada to benefit from rural broadband. If you're going to create that kind of market distortion that impacts the ability of players around the table to invest, the question is this: who's going to get to the last 10%, 15% and 20%? Because you're going to be causing a lot of consternation in the investment market, causing distortion. Do players like Telesat and Barrett go and invest in satellites? Do we invest in wireless? Do some of the other players invest?

It's the distortion factor that's problematic for rural Canadians. We'll be creative, we'll adapt, we'll figure things out as long as there's a fair and effective process. We're going through that process today. As long as it's fair and effective, we'll have to accommodate, we'll have to innovate, and we don't have a choice. The real question is whether rural Canadians will be disadvantaged.

•(1615)

The Chair: Mr. MacDonald.

Mr. Dean MacDonald: Canadians would go crazy if they knew we were contemplating rewarding the guys who overcharged us by giving them the money back to go and do something. It is absolutely insane. If you went out and bought a car, they charged you too much for it when they shouldn't have, and they can go back and take the money they overcharged you and build in a new way to paint their cars or something, Canadians would go crazy.

Why do we think that's sensible? I don't understand why we are rewarding an incumbent who overcharged, giving them the money back to compete against guys like us, who are actually putting our hard-earned money into putting Internet into all these rural communities. It's unbelievable. It challenges your sensibilities on every level.

So it's only here, through these rules, through this process, that we would actually contemplate giving these guys back the money they've overcharged us on. It's absolutely a shame for Canada to even consider it. It's really wrong. It's obscene.

The Chair: Mr. Deane.

Mr. Jim Deane: I just want to tell you a little about the competitive landscape in Saskatchewan. We're not worried about the deferral account, simply because there isn't much of one for our competitor, SaskTel. But what happened in Saskatchewan is that in order to push out broadband Internet access, a laudable public policy objective, there was simply a \$75-million grant from general revenues to the crown-owned monopoly SaskTel.

If that doesn't distort the market, I don't know what does. Then we're competing against our main competitor in rural Saskatchewan for broadband Internet service that has been underwritten by the taxpayer.

Thank you.

Mr. Brian Masse: One more quick question, Mr. Chair?

The Chair: Very short.

Mr. Brian Masse: The minister yesterday indicated in his testimony that he estimated a 1% savings for consumers for deregulation. Are you saying here today that if the regulation continues, at least in some format in this way, you'll actually provide more savings for the consumer eventually?

The Chair: Who would like to respond?

Mr. Dean MacDonald: I can answer that.

I gave you the example that if we don't compete in markets, the consumer doesn't save 25%. That's a hard, fast example, and it happened this week.

The Chair: Okay, thank you.

Thank you, Mr. Masse.

We'll go to Mr. Brison for five minutes, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair.

I have a couple of questions. I want to focus on rural Canada and specifically my riding of Kings—Hants.

According to a Library of Parliament document on local market share, in my area, in the Annapolis Valley, 96.9% of the market is with the incumbents.

I can't even get cable where I live. In fact, to get high-speed Internet, I have to install a dish. It is a different world, but it is a reality for a lot of Canadians who live in remote or small-town Canada.

In the Annapolis Valley and small-town Canada, what is the impact of this decision on prices in the short term? I'd also like you to consider what prices you see in the long term. Isn't there the potential for an inflationary effect? In fact with the big incumbents taking a more aggressive pricing strategy in the larger markets with more complete competition, is there a risk they may actually increase the price for local service in some of the other communities to try to compensate and strengthen their bottom line?

•(1620)

The Chair: Mr. Deane.

Mr. Jim Deane: I think there's a distinct possibility that would happen. In fact the incumbent has already speculated about pricing going up in rural Saskatchewan to underwrite their competition in the major markets in Saskatoon and Regina. So I believe that's a distinct possibility, particularly if we, as the only logical facilities-based competitor, choose not to roll out our service in rural Saskatchewan.

The Chair: Mr. MacDonald.

Mr. Dean MacDonald: The reality is that the incumbents do answer to shareholders. Through losing on one end, they're going to make it up on another. If they have a monopoly, I can guarantee you it's going to be made up.

Hon. Scott Brison: I appreciate your views on the efficacy of the CRTC in terms of pushing for greater competition and decision-making compared to your views on the Competition Bureau and your expectation in terms of reaction time. Do you feel the Competition Bureau will be more or less responsive than the CRTC in terms of decision-making and the time required to make those decisions?

The Chair: Mr. MacDonald.

Mr. Dean MacDonald: You know, I'm always fighting with the CRTC over something or another, but the good news with the CRTC and the Competition Bureau is that I understand the rules. The rules are set out.

What happened a couple of months ago, when the minister changed the rules basically overnight, was that the millions of dollars we've put in as an investment were put at risk. That's not fair. That's not the way to do it.

So I can live within the rules. I might not like the rules, and I do fight against them an awful lot, but I can live with that.

In terms of going into a new market, I don't think I'm going to rely on the Competition Bureau to solve my problem. I just don't think I would launch, because I can't wait five, six.... I think the Competition Bureau said last week that if they're really quick and on the ball they can turn something around in five months. Well, I can tell you, my business is toast in five months. I don't think I'll put my hard-earned dollars into that, that's for sure.

Hon. Scott Brison: In terms of the overall package of recommendations in the TPRP, would you feel comfortable with the overall package if we were moving forward with a reform of our regulatory approach of the industry? Instead of cherry-picking and overturning CRTC decisions, sort of systematically debilitating it through a series of ministerial decisions, would you feel comfortable with the overall direction of the TPRP report if it were done as part of an overall reform package?

Mr. Dean MacDonald: Yes, I think I could live with that, quite frankly. In a managed fashion, and ensuring that new entrants into a market have some opportunity to get their feet grounded.... Other than that, yes.

I think this whole group is very pro-competition. That's our future. We want to compete; we just want to have a chance to compete.

Mr. John Maduri: I think there's a lot of good in TPR, but one of the observations on our part is that it does not speak to satellite.

The whole issue we're facing as an industry is continuing technological change. There are parts of this globe that will see wireless, broadband, and satellite broadband before they ever see a wired service. And the challenge for TPR or the challenge for any regulatory regime is how to ensure that you keep up with technology.

I think there is a significant miss there in that I don't see satellite mentioned extensively. In our view, when you look at the breadth of our geography and the dispersion of population over that geography, satellite has to play a key role.

Using the satellite example specifically or more generally, regulation must keep up with technological change.

The Chair: Okay, thank you.

Mr. Deane, go ahead very quickly, please.

Mr. Jim Deane: That approach would certainly be preferable to changing the rules retroactively after large investments had been made on our part and on the part of others.

The Chair: Thank you.

Thank you, Mr. Brison.

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

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

Thank you to all of you for coming out.

I want you to know at the outset that I'm very sympathetic to your cause—I'm a small business owner myself, and Mr. MacDonald, picked it, I'm a car dealer—but you have to help me understand something.

Believe me, when I hear your concerns my ears pop up, because as I said, I'm a small business owner. In our particular case, we're

being forced to go image. That means we have to invest \$1 million, \$1.5 million just to make the place look pretty.

So I know about investing money. And we do the same thing, we look at the possibilities. But we have another scenario in our business: the customer can go to my store and get his best price, and then he can go to the next store.

So I'm familiar with that. What I don't understand is what's the difference in your business? Why can't you do the same thing?

If somebody calls me and says we'd like to...with this forbearance, folds...why can't you call them back, ask what they said, and say, "Well, you know, we'll do a little bit better"?

I don't understand that.

• (1625)

Mr. Dean MacDonald: I find it hard to believe you can't understand that as a small business owner. If you're a small business owner, you would not invest in this business if you knew that your competitor could beat you every time, based on the rules. Why are you going to put the money in? Is it in the hope that the consumer is an idiot and he's going to move?

Mr. Dave Van Kesteren: But help me out here—

Mr. Dean MacDonald: Help *me*, because I don't get it.

Mr. Dave Van Kesteren: Why are you saying that you can't compete? And I'm not asking—

Mr. Dean MacDonald: We have a set of rules in place now. I just gave you a great example from Sudbury. We just invested \$8 million into a system. The customer phones the telephone company and says, I'm going to move to Persona. The telephone company says, no, don't bother. I'm going to give you 45 bucks up front. I'm going to drop your Internet service by 10 bucks. I'm going to drop your phone service by 30 bucks, and I'm going to drop your TV service by 13 bucks.

So unless you think the consumer... As David Ogilvy, the great ad man, once said, the consumer's not an idiot, she's your wife. Consumers are smart. They say, you know, I don't think I'll go through the hassle of change; I'm going to save a whole bunch of money and I don't have to do anything other than make one phone call.

Mr. Dave Van Kesteren: But why can't you call that consumer back and ask why you haven't heard from them? If they tell you that Bell just made a better deal, why can't you say, okay then, we'll give you this?

Mr. Dean MacDonald: What am I supposed to do, cut it again? There's a certain cost of entry here. It's big bucks.

Mr. Dave Van Kesteren: That's what happens to us. Believe me, that's what happens to us.

The Chair: Order.

Mr. Dean MacDonald: You know what? That's ridiculous. It absolutely is.

I've given you a concrete example here that says there's no way we'll ever win a customer, and you're telling me to put my money into that? You can't be a small business owner. That's a joke.

Mr. Dave Van Kesteren: Well, let's have some other—

The Chair: I have Mr. Cohen, and then I have Mr. Deane.

Mr. Mel Cohen: Mr. Van Kesteren, if we are talking about win-back, the distinction is that this is not something that happens before the sale.

I agree with you 100%. The consumer can go from supplier to supplier, solicit the best deal, and then make his choice. But what we're facing in a win-back situation is that after the consumer has made their decision—and maybe they don't call the telephone company and ask them for their best deal—the telephone company, by virtue of having control of that customer, knows about the transaction, and they are the only one of the competitors who does. And then in a very specific and targeted way, they approach that customer after the sale has been made and roll out their best deal.

If you bought a television set from retailer X as opposed to retailer Y, you've made your choice, and the sale is done. Retailer X doesn't call you back the next week and say, bring the TV back and we'll give you a sweeter deal.

The Chair: Thank you.

Let's have Mr. Deane.

Mr. Jim Deane: I think there are three critical differences here. You talk about a big capital investment to get into the business, but the question is whether you would get into that business if the only other car dealer in town had been the only car dealer there for a hundred years; and the second difference is that they were selling exactly the same product, exactly the same Honda with no differences, and they would know every car you sold five days in advance of your delivering the car. And then the question is whether you'd make that \$1.5 million investment to get into the business.

Mr. Dave Van Kesteren: Is there a possibility that if you had some time...? Are you looking for some time?

Mr. Dean MacDonald: That's what we're looking for.

Mr. Jim Deane: We're on the same page here. We think market forces ought to rule the day. The only question we have is that before we go in and make these large investments, we have to be assured that the business plan works, that there's a payback; that if we have a sustainable number of customers in a market like Weyburn—or Sudbury, for that matter—we can make a payback on the investments to get into it. We're putting in stand-by power, we're upgrading our networks, we're providing a lifeline service to consumers.

Mr. Dave Van Kesteren: I understand all that, believe me. I do; I know what you're talking about.

Does somebody else want to comment on that?

Mr. Tim Stinson: Just taking it one step further, using Mr. Deane's comment, in our situation we're buying the cars from that other incumbent car dealer. I have to buy telephone service from the incumbent. Then I have to call the incumbent and tell them that the customer is switching. That takes ten days. Bell then has ten days to

call up that customer and offer them a sweeter deal to take them back—before the customer even has a chance to take our service.

• (1630)

The Chair: Thank you, Mr. Van Kesteren.

We'll go now to Monsieur Vincent.

[*Translation*]

Mr. Robert Vincent: Thank you.

In your opinion, what should we recommend to the minister so that you can remain on the market, once the next seven months have elapsed?

[*English*]

Mr. Mel Cohen: First, keep our wholesale tariffs available to us. They've hinted that they're going to take those away.

Second, keep restrictions on win-backs until the market power of the former monopolies has been diminished sufficiently that they don't have this exclusive access to our clients.

And third, stop politicizing this process. Keep order in the process, as we had it before, and don't have the rules change on us at the snap of a finger.

[*Translation*]

The Chair: Mr. Vincent.

Mr. Robert Vincent: Does anyone else have recommendations to make?

Please go ahead, you still have time.

[*English*]

Mr. Jim Deane: Certainly. We've said that in the ten largest CMAs in the country, where competition is already vibrant, just do what you like. But in small markets where smaller players are getting under way, we believe the market test ought to stay the same; that the 25% threshold for forbearance ought to be the same. The win-back restrictions ought to remain until that test is satisfied.

The Chair: Mr. MacDonald.

Mr. Dean MacDonald: The win-back provisions absolutely defy logic. To allow the incumbent to talk to your customer and resell them before you ever hook them up is absolutely debilitating. As long as that's in effect, there's no incentive to get into the business, I can tell you. There's no incentive to provide rural Canadians with a choice that's going to provide them with better, lower-cost service.

[*Translation*]

The Chair: Mr. Vincent.

Mr. Robert Vincent: Each member of this committee has his or her own opinion of the report and of the minister's intentions. Today, you have the chance to talk to us about the possible unintended adverse effects of the new measures on your companies. As Mr. Stinson was saying, these new measures could even cause some companies to have to shut down.

To your mind, what would be the best solution: the status quo, or making changes? We are interested in knowing what you think, so that we can integrate your thoughts into our next report. You have good ideas. I think you're on the right track, but I would like to have more details, so that we can build upon the suggestions you are going to make.

[English]

The Chair: I have Mr. MacDonald next.

Mr. Dean MacDonald: The reality is that the average Canadian doesn't give a rat's ass about my company and probably all the companies around this table.

The Chair: You mean a rat's posterior.

Mr. Dean MacDonald: Exactly.

The Chair: I'm just thinking of the translators, here.

Mr. Dean MacDonald: I could be more colourful, actually.

Let me say this. What they really care about is that they get good service and get it at a good price. If the current rules stay in place, rural Canadians in particular will not ever see that choice. So it's not really about our company.

Of course it's about our company in the sense that I'm here from a very self-interested point of view, as is everyone around the table. But the reality is that it's about Canadians and about whether or not they're going to get service—and an alternative service and a cheaper service—and the rules dictate that it's not going to happen.

So that's the answer to your question, Monsieur Vincent, that it's not going to happen.

The Chair: There are 30 seconds remaining. Would anyone else like to comment?

If not, Monsieur Vincent, do you have a brief question?

• (1635)

[Translation]

Mr. Robert Vincent: If I understand what you're saying, Mr. MacDonald, large centres will really profit from more competition, whereas the rural regions will be left high and dry. There will be no competition in the regions.

[English]

Mr. Dean MacDonald: You realize, of course, that the large centres have been in business for over a year, so they've actually worked under a completely different set of rules that has allowed them to flourish. If this rule had come into effect 18 months ago, it would be a different story.

So rural Canada doesn't even get the benefit of the rules that big-city cable companies bet their business on. That's the irony of it all. We're not even getting the same treatment. We're getting second-rate treatment.

The Chair: Mr. Stinson.

Mr. Tim Stinson: I actually agree with Mr. MacDonald on that. We would have taken our investment dollars and possibly put them someplace else if we had known that the rules were going to change as we were building these systems. There's no incentive for a small company. We're 7,000 subscribers. There are many others that are

smaller than us that are looking to do this exact same thing. There's no reason they should. There's no reason they should go and deregulate Bell.

Mr. Dean MacDonald: I want to add that the large cable companies that have done this should be commended. They've given Canadians a choice. They've given them better pricing and better services. So this isn't criticizing what they've done. They've been great.

The Chair: Thank you. Sorry, we're out of time.

We'll go now to Mr. Shipley.

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

I may split my time; I'm sorry, but I'm running out of voice here. I have one quick question, and then I may defer over to Mr. Arthur, if that's okay.

On existing regulations under the CRTC, I think we understand that there's going to be deregulation. I think what I'm hearing is that it's a timing issue. Under that deregulation, the Competition Bureau would still be involved if there was rivalrous behaviour, or whatever the term is. One of the things I understand also is that they don't have the tools to deal with it, but they would still be involved.

So what I believe we're talking about under the deregulation is that regarding the \$15 million, when I look at the other countries that have been mentioned where it has never actually had to be acted on because of a behaviour, I think the issue is that they now will have the tools to deal with it. Is it the concern that they won't, with those tools, be able to act if they have to? I know Mr. Cohen said it's \$15 million per incident, in regard to change in terms of their business operation.

Please help me here.

The Chair: Mr. Cohen.

Mr. Mel Cohen: Mr. Shipley, I'm not sure about these references to there never being an occurrence to enforce any anti-competition laws in other countries, but there's a suggestion that our telephone companies will not behave in anti-competitive ways because, somehow or other, either they're good corporate citizens or the \$15-million penalty will deter them.

When I started Distributel, within a month of receiving service from Bell Canada, they were at the CRTC with an application to shut me down. For the first four or five months of operation, I didn't know if I would actually survive. I did prevail, thanks to a fair and transparent process at the CRTC where all arguments were heard, but in the subsequent years, there were at least three additional attempts by the telephone company to manipulate the regulatory environment or their tariffs in such a way that my business would have been precluded.

So we've seen this. I would even go so far as to dare to say that the lobbying efforts of the large telcos with the government are also anti-competitive in their nature, because they're trying to preclude us from the rules that we have now.

Mr. Bev Shipley: What is the penalty, \$15 million?

Mr. Mel Cohen: I can't answer whether \$15 million would be too much for the incumbents to pay to see a couple of competitors leave the market.

The Chair: Mr. Deane.

Mr. Jim Deane: You're asking us to take something on faith here that's going to come out of the Competition Bureau. I can tell you that we're not going to invest the millions of dollars required to launch telephone service in Kamsack or Weyburn, Saskatchewan, based on faith. We need a set of rules, which we thought we had when we made the investment for Regina.

I guess my answer to that would be, we'll wait and see what happens. But that means competition and lower prices and the market forces that we're all trying to achieve come to rural Saskatchewan or rural Canada a lot later than they ordinarily would have.

• (1640)

Mr. Dean MacDonald: Perhaps I can add to that.

You have to admit that from our perspective, a minister has just come in and changed the rules of a regulatory body: bang, these are the rules. Right now I don't know what the hell to do. I don't know what to trust and I'm not certain how I'm supposed to operate my business, because I don't know who calls the shots.

Maybe I should just do whatever the hell I want just, since it's so ridiculous to try to operate a business in this kind of environment.

The Chair: We hear you.

One minute left.

Mr. Bev Shipley: One more: I'm curious about the rule. From my understanding and interpretation, if you have the three test and it isn't met, the regulations go back in and you stay in place.

Mr. Dean MacDonald: Pardon me?

Mr. Bev Shipley: The regulations will stay in if the test of three can't be met.

Mr. Dean MacDonald: Right.

Mr. Bev Shipley: Then it doesn't get deregulated. And that wasn't the impression I was left with, based on some of the comments that were made by you, that it would just fail.

The Chair: Mr. Deane.

Mr. Jim Deane: But isn't the third leg in the test the existence of a facilities-based provider? I mean, that happens day one. We launched telephone service in Regina two weeks ago. As of that moment, without one single customer, then we met the test. Then deregulation happens. Then the win-back restrictions are removed and the rest of it.

So the minute we launch and spend the money in Weyburn or in Estevan or in North Battleford, we satisfy the test. I can tell you that we're not going to spend the money.

The Chair: Thank you.

Thank you, Mr. Shipley.

We go now to Mr. Masse.

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

I'd like to pick up on that, on the test that's been offered out there. You're correct that these are some of the practical problems of just putting out the three test. Also, they have issues related to if one of the groups actually leaves the market or folds from the market or is bought out from the market.

I do want to give you an opportunity, though, to explain a little bit more about that in terms of entering into a market, what it really costs to do so. I think that's important. We haven't talked enough about the practical elements of actually launching into a market and the front-end costs.

I think we know that it's not like other businesses. You're dealing with a monopoly in the past, for years, and you're having to actually buy space on their services and then compete with them in a very unusual way.

Maybe you can articulate a little about that. When you actually move into a market, what are the full things that have to be done to make it successful?

The Chair: Mr. Deane.

Mr. Jim Deane: In Regina, for example, the consumers are looking to buy telephone service. They don't want to differentiate by product or by type of service. A telephone is a telephone is a telephone. But they have certain expectations: that it works in the event of a power outage, and that they're not competing with Internet traffic in terms of their regular primary-line service. That requires an investment of standby power, that requires an investment in managed networks.

In my case, we spent \$3.5 million in Regina, up front, before we had one customer. Now there's customer-premise equipment and installation in the neighbourhood of \$300 per customer to get them connected. So as we add customers, the marginal rate or the incremental rate is \$300 per customer—and I spent \$3.5 million getting into the business to start with.

Mr. Brian Masse: If the regulations stay the same, where we continue down the path that was previous to the minister's intervention, was there any intent of any further investment into the market? Was that really the intent of all your businesses? That if the rules were going to remain towards that and the CRTC was moving towards this pattern of deregulation that it has, was that the intent of operators here, to actually continue their investment?

Mr. Jim Deane: Speaking for my company, we had a 24-month plan to roll out primary-line telephone service to the vast majority of our customers in Saskatchewan. In the next 24 months, 98% of our customer base would have access to primary-line telephone service, under the preceding regime, under the rules.

Mr. Dean MacDonald: That's basically a mirror image of where we are.

The Chair: Mr. Stinson.

Mr. Tim Stinson: Yes, absolutely. We were committed to this.

We're a going concern. We're going to spend the money and we want to be successful.

The Chair: Mr. Maduri.

Mr. John Maduri: We're investing.

•(1645)

Mr. Mel Cohen: In our case, our model is more based on resale. We're not a cable company. We're doing it using the telephone company's infrastructure. But without the wholesale tariffs, as they're called, we just don't have an offer to the public. We don't have a way to reach them.

Mr. Brian Masse: The reason I asked that question is that one thing that's really difficult, I think, for many of us on the opposition side with regard to this is that the minister hasn't brought forth any legislation. This has been done through interpretation of CRTC decisions from his point of view. But there hasn't been legislation presented in front of us, despite a report being concluded about a year ago. The minister could have, at any point in time, presented legislation to this committee and to the House of Commons.

Would it be a more comfortable process, with a full accountability to the Parliament of Canada, to actually follow through with any type of telecommunications redrawing in Canada?

The Chair: Go ahead, Mr. MacDonald.

Mr. Dean MacDonald: Here's the straight goods on this one: the longer it's delayed, the better, because I'll be launched in more markets and I'll have a fighting chance. That's the reality of it.

Mr. Brian Masse: So you want time.

The Chair: Mr. Ignacy.

Mr. Ted Ignacy: That would be counter to our interests. Deregulation in Canada can't happen fast enough for us.

Mr. Brian Masse: Would you prefer that it happens under actual law, or would you prefer that the minister of the day has his or her own rules and decides upon them, and they could be something today and something different tomorrow?

Mr. Dean MacDonald: Have them under law, clearly.

Mr. Jim Deane: Anything is better than what we have now.

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

The Chair: Thank you, Mr. Masse.

We'll go now to Mr. Bevilacqua.

Hon. Maurizio Bevilacqua (Vaughan, Lib.): Thank you, Mr. Chairman

First of all, I want to thank you very much for your presentations. You gave us a sense of the world pre- and post-deregulation in your markets, and obviously you have some major concerns.

There are many issues at play. You have large markets, smaller markets, large firms, and smaller firms, but it seems that the issue of timing is the one you're really stuck on. Obviously Mr. Ignacy would like to get on with it right away. Mr. MacDonald and the rest, I guess, would like to wait.

Did you not anticipate this move by the minister? Was deregulation something that you never expected would happen?

Mr. Dean MacDonald: The present government was elected by rural Canadians, so I have to tell you, quite honestly, that I'm shocked by this punitive decision, this punitive order, for rural Canada.

That's my view of it.

Mr. Jim Deane: We certainly didn't expect this type of retroactive writing of the rules, no.

Mr. Tim Stinson: We would never have made the investment if we had anticipated that they were going to do this.

Hon. Maurizio Bevilacqua: Basically, you are saying that this period of six months, or whatever it's going to be, is so crucial that it's sort of a deal breaker.

A voice: That's a good term. Absolutely.

The Chair: Mr. Deane.

Mr. Jim Deane: I'm not sure that it's a matter of a specific period of time. You characterized it right, that these are temporary. We're asking for some temporary protections. As we get to that threshold, which the commission had set at 25%, which we thought was a good number, and that's why we made that investment.... If it happens earlier, fine. If it happens later, fine. But I think it's a good test and a good threshold for the sustainability of our business model.

Hon. Maurizio Bevilacqua: Canadians—some—actually follow our committee; right, Mr. Chairman?

The Chair: They are glued to their sets.

Hon. Maurizio Bevilacqua: So perhaps you could explain to them what it means for your firm in real terms. What does it all mean? Does it mean that you are shutting down? What happens to these communities?

I think we have to put some real-life examples out there, examples that we collectively, as a committee, could also think about.

The Chair: Mr. Stinson.

Mr. Tim Stinson: We need to provide competitive services to our customers in order for our business to survive. This is a competitive service. We are a 7,000-subscriber system, and our primary competition is Bell Canada anyway. We are fighting Bell Canada on Internet services, which is a huge money machine, and we are fighting them on DTH services. They are knocking on our doors. We have to provide competitive services if we want to keep our customers, and this is a competitive service.

The Chair: Mr. MacDonald.

Mr. Dean MacDonald: What's interesting, to put it into the perspective of what we have seen in the telecom industry and in the cable industry in the last few years, are the benefits of the bundle, as they say. Consumers want to be able to buy their phone, their TV, and their Internet from one provider, with one bill. There is a ton of convenience to it. If we're not able to go into the markets with a phone service so that we can bundle it, we're at a huge competitive disadvantage.

Obviously, in terms of seeing out in the future, you can see where it's going to go.

•(1650)

The Chair: Mr. Deane.

Mr. Jim Deane: You asked what it means to the consumers. In North Battleford, Saskatchewan, it means that the bottom line is that all bets are off. We won't be there until we know what's going on with respect to what's going to happen on the competitive landscape. Whereas I had said to consumers and my customers in North Battleford that we'd be there within 18 months, the answer now is that I don't know. I suspect not.

Hon. Maurizio Bevilacqua: Let's say this goes through. What happens then?

Mr. Dean MacDonald: I'll tell you what happens. There will be a full-page ad in *The Globe and Mail* to phone your telephone company and ask for a discount. We short the stock, and we're all going to make a lot of money.

The Chair: Mr. Deane.

Mr. Jim Deane: You can't phone the phone company and ask for a discount in North Battleford, Weyburn, or Estevan because we won't be there, and that's not fair.

The Chair: You have 30 seconds.

Hon. Dan McTeague: Sure.

Mr. Ignacy, who owns your company? Is it Bell Canada?

Mr. Ted Ignacy: It is currently BCE, but we've been sold. Subject to regulatory approvals, we'll be owned by the Public Service Pension Fund and a company out of the States named—

Hon. Dan McTeague: Deregulation can't happen quickly enough and you're owned by Bell Canada right now.

Mr. Ted Ignacy: For satellite services, that's correct.

Hon. Dan McTeague: Thank you.

That's my 30 seconds. I'll come back on the next round.

The Chair: Thank you.

We'll go to Monsieur Arthur.

Mr. André Arthur (Portneuf—Jacques-Cartier, Ind.): Good afternoon.

To Mr. Deane, Mr. MacDonald, and Mr. Stinson, I would like to confirm one impression I get from you, that in your respective markets at this time you are the eventual third party that will make deregulation possible.

Am I right?

Mr. Dean MacDonald: That's correct.

Mr. André Arthur: Okay. So your moving into those areas—like Sudbury—will make it so that deregulation...according to the new rules, you're the third party, and there we go, the fight is on.

Then, Mr. MacDonald, when you talk about the win-back situation being crucial to your survival, there is something I don't understand. Will you be signing people on for short-term contracts, or will you be trying to sign them on for at least a year? When you have their signature for a year, what is the win-back situation? How is the win-back situation dangerous to you?

Mr. Dean MacDonald: Oh, it's usually dangerous. You're a consumer of products, I hope. If you went in to a company that's never offered a service before and they told you that you had to sign a contract for a year or two, would you sign it? You've never tried

them. They've never offered the service before. As a consumer, do you really think you're going to sign that contract? I don't think so. I think you're going to say you're going to try it for a month or so and see if it works. If it does, then you're a very happy person.

So that's ridiculous.

Mr. André Arthur: Do you realize that in effect you're telling me that as soon as you're removed from under the dress of Mommy CRTC, you cannot survive; that as soon as the CRTC is not there as your Mommy to protect you against the bully on the street corner, you're going to die?

Mr. Dean MacDonald: You're joking.

Mr. André Arthur: No, I'm not joking. I'm just following your argument that says—

Mr. Dean MacDonald: You can't be a consumer. You can't be a consumer.

Let's say you phone me to switch your service. You want to buy phone service from me. I phone the telephone company. The same day the phone company phones you and says to you, look, don't switch to Persona; we'll give you \$50 a month off your Internet, phone, and TV, and you don't have to do anything; I don't have to send an installer to your house or change your bill—nothing.

Are you going to say, no, I don't want it, I really want to switch to Persona?

Come on now.

Mr. André Arthur: If we come back to your analogy of the rat's *derrière* of a few minutes ago, and if we look at the fact that in your area a big cable company and a big telephone company are all set to compete, can't do it before you get there, you are going to get crushed—

Mr. Dean MacDonald: No, that's ridiculous. You're joking.

Mr. André Arthur: What is ridiculous?

Mr. Dean MacDonald: The rules aren't fair. The telephone company gets to call the shots on my customer, who's actually, as we've explained here—

Mr. André Arthur: Unless the CRTC keeps the role of being your Mommy, you won't survive.

Mr. Dean MacDonald: I'm going to follow your logic here. What you're telling me is that you don't give a hoot about rural Canada, because there's not going to be competition there. You don't care.

You have to agree with me—

• (1655)

Mr. André Arthur: Are you telling me that in rural Canada, if there were only a big cable and a big telco, there would be no competition?

Mr. Dean MacDonald: No, I'm telling you there won't be if...

I don't know what your definition of "big" is, because—

Mr. André Arthur: Rogers is big?

Mr. Dean MacDonald: Yes. But you know, I serve—

Mr. André Arthur: Okay.

Telus is big? You're not—

The Chair: Monsieur Arthur, let him answer the question.

Mr. André Arthur: He's asking me questions—

The Chair: Okay, it's a good exchange, but I think Mr. MacDonald wants to answer.

Mr. Dean MacDonald: The reality is that the rules are set up so the incumbent doesn't have to do anything. There's no risk to him. The minute my customer switches, crosses the street and says he's going to deal with me, they get on the phone and say to him, don't switch and we'll give you a whole bunch of dollars off.

And you know what? I'm cool with it if that's the rule. As I said to you, I'm going short the stock and make a fortune off it. It's a stupid rule.

The Chair: Mr. Deane wants to comment.

Mr. Jim Deane: Momma's been protecting these guys for 100 years. We're only asking Momma to protect us for a few months, until 25% is satisfied. Then let's take the gloves off.

Mr. André Arthur: Because of the rule that the CRTC invented to protect you and that the minister doesn't seem to include in his proposition, you feel a little bit left alone on the street corner. Is that the way I should understand it?

Mr. Jim Deane: Yes, we do; we do feel left alone.

The Chair: Ten seconds, Monsieur Arthur.

Mr. André Arthur: Ten seconds?

Thank you very much.

[Translation]

The Chair: Thank you, Mr. Arthur.

[English]

We'll go to Mr. McTeague.

Hon. Dan McTeague: Mr. Chair, I won't take too long. With the indulgence of the committee, I will allow you a question at the end. I understand that you may have one.

I wanted to clarify for Mr. Carrie the importance of the policy that he related to you with regard to long distance. I find it rather ironic. In 1988, resellers were allowed to get into long distance. In 1992, facilities-based companies were allowed to come in. In 1997, five years later, the rate was deregulated. After that, the incumbents' shares dropped about 70%. There was no government interference. This was driven by the CRTC. This model is one that the government is now clearly rejecting.

It's the very essence of what I'm saying. The CRTC was successful in getting long-distance competition, but they're not prepared to allow the same plan to work for local rates.

Let me ask you this question. How are you going to tell your consumers this if this plan goes unamended, done by order in council, not by Parliament? If this committee is not successful in getting the message out, what is the message you now have to give to your consumers, given what you've described to us as clearly being a rather dire consequence?

Mr. Jim Deane: My first message would be that if you want competition, you should call your local member of Parliament so that

we can get some sanity back into the process of rolling out a competitive environment.

The Chair: Anyone else?

Mr. Cohen.

Mr. Mel Cohen: The message is simply one of competition first, deregulation next. That's what we need. Why deregulate before you have competition? There's no benefit to consumers.

Mr. Dean MacDonald: Or if you really want to be very adverse, move to urban Canada and you'll be well served.

Hon. Dan McTeague: I would only suggest—and I'm hoping I'm wrong—that you may have an election in which you're able to make that decision before April 6. If that's not the case, we'll do what we can.

Chair, I want to yield to you at this point.

The Chair: Thank you, Mr. McTeague.

I want to thank you all for coming in. It's been a very interesting exchange. I've certainly enjoyed it. I do have one question, though.

With the exception of Mr. Ignacy, what I'm hearing from you is that you certainly prefer the 25% market test as compared to the test the minister is proposing. There's something I don't understand, though. The market test is close to being achieved in some sectors. I think the only one the CRTC mentioned as having been achieved by the end of 2005 or in 2006 was Halifax. Telus mentioned that Shaw has 30% in the Fort McMurray area, which is certainly rural Alberta, so that may in fact be deregulated.

If the 25% market test, which you've pointed to as being the one that should be followed, is met by Telus having 70% and Shaw having 30% of the market, I'm not sure how that helps your companies. Explain to me how the 25% market test helps you if it's basically a duopoly between Telus and Shaw, or between Bell and Rogers.

Mr. Dean MacDonald: It's a market by market test. As Mr. Deane has suggested, at 25% we know we have a sustainable business. As he says, the gloves are then off, the game's on, and whoever wins, wins. That's a wholly different exercise from the rules now.

The rules now, for whatever reason that I can't even figure out, protect the incumbent. I don't know what Bell has done to deserve such great treatment from you guys. It's just incredible.

● (1700)

The Chair: Can I just clarify? In the Sudbury area, if you actually had a situation in which 75% belonged to Bell and 25% belonged to Rogers, how is your company benefiting by it?

Mr. Dean MacDonald: If I have 25% of the market share in Sudbury, which has 50,000 homes, to use round numbers, I have a lot of customers and I'm in business.

The Chair: Perhaps I'm not making myself clear. What I'm saying is that if the 25% market test is followed but it's basically a duopoly between a very large telephone company and a very large cable company, both with separate infrastructure systems, how does that help you?

Mr. Dean MacDonald: It doesn't help me, it helps the customer. You don't need to worry about me. I'm a business. Canadians don't care about me. Canadians care about a better rate and better service. They won't get it if I'm not there.

The Chair: Mr. Deane.

Mr. Jim Deane: If I could try that, I don't think Rogers will be in Sudbury.

The only realistic facilities-based competitor in North Battleford, Saskatchewan, is Access Communications. We're the only other ones with the facilities and infrastructure that allow us to offer facilities-based competition. Shaw and Rogers aren't going to be there, at least not with facilities-based competition. They'll certainly be there maybe with wireless competition, and that's fine.

The Chair: According to these figures, Shaw was at less than 9% in some figures. This year, they're in areas like Medicine Hat and Lethbridge. They're getting into the smaller communities.

Mr. Jim Deane: Those are in their licensed areas. What we're talking about is Persona's licensed areas, Access Communications' licensed areas, or Bluewater's licensed areas. I don't think existing cable operators are going to go in and over-wire those systems.

The Chair: The second thing is a very large question, so I won't put it. I think, though, that one of the issues raised is the relationship at the wholesale-retail level. It's almost beyond the current study we're doing here.

Mr. Cohen, you might want to comment on this, because I know you raised it.

If there's something further that each of you wants to present, it's a very complicated area and a big area.

Mr. Cohen, maybe you could comment.

Mr. Mel Cohen: I can be very brief.

The problem is around what deregulation means. As we read what's coming out of the minister's office, deregulation means the elimination of wholesale tariffs to competitors. That's why I'm ripping up my flyer. I can't offer high-speed Internet service as a reseller if I don't have wholesale tariffs.

The larger question is whether we want duopolies or whether we want additional competitors in the marketplace that are based on resale, not just facilities.

Mr. Dean MacDonald: I'd like to know as well—

The Chair: I'm being told I'm out of time, but go ahead.

Mr. Dean MacDonald: —how many letters you have received from consumers who are pissed off that Rogers or Cogeco or Vidéotron have entered the phone market. I'd say zero. They're all really happy. And this new order is supposed to be consumer-friendly? I don't hear any complaints. It's great to have the cable guys providing an alternative.

So make it happen in rural Canada.

The Chair: My very last brief question is to you, Mr. Maduri, on the decision with respect to the concern you have that was not specifically related to this study. Was that a CRTC decision or not?

Mr. John Maduri: It was.

The Chair: It was a CRTC decision, just to clarify that.

Mr. John Maduri: It was an ironic decision: help foster competition in urban Canada...the deferral account, the \$620 million. Oops, now we have to figure out what to do with that; let's put it into rural Canada.

It's the same kind of distortion that these folks have spoken to, and I think these other players, like us, will be impacted by that amount.

The Chair: So you're asking the government or the committee to act contrary to, or to do something to reverse, the CRTC decision.

Mr. John Maduri: Absolutely. We and others at this table have submitted to the CRTC our business plans and where we're operating today, for sharing with the telephone companies, so that we can ensure that the markets we're in or plan to be in are going to be protected from subsidized competition. That's a pretty important element to us.

The Chair: Thank you.

I wish this could go on. It has been very interesting.

I thank you all for your time here today.

We will take a brief two- or three-minute suspension, and then we'll ask our next witnesses to come forward to the table.

● (1700)

————— (Pause) —————

● (1705)

The Chair: Could I ask you to find your seats, please? We have votes at 5:45.

We have our next witnesses here for a thirty-minute session. This is the second part of our panel, which is composed of consumer groups.

We have one consumer group with us here today. From the Union des consommateurs, we have Marie-Ève Rancourt, telecommunications, broadcasting, and privacy policy and regulations analyst.

Bienvenue, Ms. Rancourt. We have half an hour, so we request a five-minute opening statement. Then we'll go directly to the questions from members.

You may begin any time.

[*Translation*]

Mrs. Marie-Ève Rancourt (Analyst, Telecommunications, Broadcasting and Privacy Policy and Regulations, Union des consommateurs): Good afternoon, Mr. Chairman, members of the committee.

I'm very pleased to appear before this committee to talk to you about our position on deregulating the telecommunications sector.

The Union des consommateurs, the consumers' union, is a community organization that brings together family cooperative associations, the Association of Consumers Advocating Quality Construction, as well as individual members. Our mission is to defend the interests and rights of consumers. It is in this capacity that we appear before you today.

We are here to comment on the recent actions taken by Minister Maxime Bernier in the telecommunications sector, following the most recent order. By order in council, Minister Bernier, through the stroke of a pen, wrote off the most recent CRTC order. The CRTC order provided a deregulation framework. It should be specified that the CRTC is a quasi-judicial, independent and impartial organization. The minister justified his position as being based on the 127 recommendations of a study group. The numerous recommendations were explicit, interrelated, and as a whole provided balance. Minister Bernier founded his decision on this report.

Yet, upon closer examination of the proposed framework, it can be noted that rather than applying all 127 recommendations, the minister has elected to apply only a few. This approach destabilizes the balance provided in the report and robs it of its very essence.

The consequences of cherry picking these recommendations are serious, particularly with respect to pre-deregulation testing. It may even mean that deregulation may occur while a single company holds a dominant position, and without considering the number of shares held by this company. Even if it held 95% of the market share, nothing guarantees that a regulatory framework would govern the company's operations. Abuse of a dominant position would therefore become very dangerous. This abuse of position is highly difficult to prove, as mentioned by the OECD in one of its reports, and as was stated by this committee in the year 2000 when it studied the Competition Act.

In addition, Minister Bernier would give the Competition Tribunal the power to hear possible cases of abuse of dominant positions, which goes against the recommendations made by the study group. To our minds, this is also a problem. It is our view that the framework proposed by Minister Bernier does not foster competition nor does it protect the rights and interests of consumers. In fact, no consumer recommendations made during the CRTC hearings following Public Notice 2006-14 have been retained. In fact, it is included in the minister's order in council.

I therefore invite you to reread the first recommendation by the study group. This recommendation deals with policy and regulation goals. This recommendation also talks about amending the Telecommunications Act. You are fully aware that amending the act cannot be done by an order in council, but must be done through the legislative process. By cherry picking recommendations, the minister has decided to bypass the legislative approach and to use his power to issue an order, a power that group has recommended be abolished. His objective is to change the CRTC orders, and to interfere in the role and decisions of this organization.

We believe that through this order, the minister has chosen to impose his decisions to accelerate deregulation, rather than act through legislative means, which would be a public, transparent, and most likely longer process. This is what the minister is afraid of.

Thank you.

• (1710)

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

[English]

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

[Translation]

Hon. Dan McTeague: Thank you, Mr. Chairman.

I would just like to make sure of one thing, Ms. Rancourt: I am not the one who wrote your presentation, am I?

Mrs. Marie-Ève Rancourt: No.

Hon. Dan McTeague: These are certainly concerns that we have raised on a number of occasions. There is another point that I would like to deal with. A few days ago, Bell Canada and the minister said that consumers agreed with them.

Did Mr. Bernier or Bell Canada consult you before taking a position?

Mrs. Marie-Ève Rancourt: Obviously, they did not consult us. Moreover, I really do not see how Mr. Bernier or Bell can claim that the framework they are proposing will help consumers. We are being told that rates may drop, but the fact is that right now, even though Bell is regulated, it can provide its fixed line telephone services at much less than the current rates. But it is not doing that. Not only is it not offering the lower rates, but it is asking the CRTC to approve rate increases. I find it hard to understand, in a deregulated environment, how Bell or the other former monopolies could offer much better rates to consumers.

Hon. Dan McTeague: Suppose that we are not able to convince the minister to change his position. In that case, perhaps we could start by adopting the 127 recommendations through an order in council rather than through legislation.

If competition decreases, do you think that prices will increase for consumers in the regions and cities?

Mrs. Marie-Ève Rancourt: I would expect the increases to affect the regions in particular. Several regions will be deregulated, and the cross-subsidization issue may well crop up. There may be some very short-term price decreases to deal with competition, but in the medium and long terms, some of the competitors will likely disappear. Prices will go up, and in the deregulated regions, prices will be very high in order to compete in regions where there are a number of competitors, which will be primarily urban centres.

• (1715)

Hon. Dan McTeague: I have just come back from the Toronto region. This morning, the gasoline price went up to 99¢ a litre because of a problem experienced by the oil companies. A few years ago, we were told that consumers would benefit. Steps were taken to amend the Competition Act. Bill C-41 sets out financial penalties rather than damages for victims of anti-competitive practices.

How do you see the future of small- and medium-sized businesses that have to deal with possible anti-competitive practices? Will the \$15 million that the government receives go to help small businesses that are affected by such practices?

Mrs. Marie-Ève Rancourt: No, that is one of the main problems. Neither small businesses nor consumers will be compensated. Ironically, when the minister announced the new policy, Bell and Telus were the first to applaud the granting of this power to the Competition Tribunal. It is rather surprising to see the companies that could be subject to the fine applauding this measure.

It should be noted that the panel did not recommend that the Competition Tribunal be made responsible for dealing with competition issues. The panel recommended the creation of a joint tribunal composed of members of the CRTC and the Competition Bureau, since the bureau had no particular knowledge of the telecommunications sector, which is extremely complex.

Hon. Dan McTeague: I cannot predict the future, but if Bill C-41 were introduced in the House of Commons, would it be preferable for the money not to go to the government but rather to the parties that are affected by the anti-competitive practices? Would you agree with me if I proposed an amendment to this bill that would give the parties that had suffered damages access to a portion of the \$15 million, so that they could remain in the market? Would the Union des consommateurs be able to help us in this regard?

Mrs. Marie-Ève Rancourt: My answer is yes and no. Our problem is a basic one, in that we feel that the Competition Tribunal is not the proper body to make those decisions. So to the extent that these pieces of legislation give responsibility for all competition issues to the Competition Tribunal, we will have to oppose them. Of course, if the legislation passes, we will certainly be more favourable to seeing compensation for consumers and small businesses. But as I mentioned, we believe that the Competition Tribunal is not the right body to deal with these issues.

The Chair: Thank you, Mr. McTeague.

Mr. Vincent.

Mr. Robert Vincent: Thank you, Mr. Chairman. I will be sharing my time.

I would like to begin by thanking you for coming here today. It is as a result of your press conference in January that we are holding hearings, and hearing a number of other witnesses. Otherwise, things might have turned out badly, but in any case... I think that there is no doubt that you influenced the committee's decision to carry on with its study, to continue hearing witnesses. Thank you for that.

You mentioned earlier that, taken as a whole, the panel's recommendations form an interdependent balance. What concrete examples can you give us of recommendations that the minister did not choose, with the result that the balance needed for a truly competitive market may be compromised?

Mrs. Marie-Ève Rancourt: For one thing, the panel recommended a set of measures to protect consumers. An ombudsman and a user protection agency were proposed. Going back to the issue of complaints, the panel recommended a joint tribunal and not strictly a competition tribunal. Deregulation is dangerous when there is a company that is in a dominant position, and the panel would never

favour that situation, whereas we feel that the minister... That is what could happen. In our opinion, this is a major problem.

● (1720)

Mr. Robert Vincent: Thank you.

[*English*]

The Chair: Mr. Kotto.

[*Translation*]

Mr. Maka Kotto (Saint-Lambert, BQ): Thank you, Mr. Chairman.

Good afternoon, Ms. Rancourt.

You recommended that the minister's power to issue orders should be abolished. This comes under section 8 of the Broadcasting Act. Do you think that the existence of that provision means that the minister has to use it inappropriately, or should that power be maintained if it can be useful? I am referring here to what happened recently in the case of the Canadian Television Fund, with respect to broadcasting. In that case, the minister has the power under section 7 to intervene to issue a general policy direction to the CRTC. The minister was asked to intervene because the situation was getting serious.

In the case we are dealing with here, I consider that the minister's intervention regarding deregulation is problematic, but if the act had a provision that was used appropriately, would that not be a good thing? If we had a change in government tomorrow, for example—and this is hypothetical—we might have a new policy on this issue. If the new minister wanted to change the policy direction to the CRTC, would such a provision not be useful?

I would like to hear your comments on that.

Mrs. Marie-Ève Rancourt: The reason this power is dangerous is in fact that it can be used to change the law, as you have said, change the Canadian telecommunications policy instead of taking the legislative route. Moreover, it amounts to interference in the decisions of a body that has been created and that is quasi-judicial, independent and impartial, and those decisions are changed. Why create such a tribunal and then use a power that is not transparent, that is subject to pressure from lobby groups, that depends on the minister's ideological vision, to change decisions, policies and orientations that have been arrived at through the legislative process, which is the public and transparent approach that enables every person, every Canadian, to express his or her views?

The Chair: You have 30 seconds.

Mr. Maka Kotto: That is fine. Thank you, Mr. Chairman.

If I understand correctly, if there were to be problems with the CRTC, you would ideally like to see the legislators being the only ones to be able to intervene, but only through legislative means.

Mrs. Marie-Ève Rancourt: Yes.

Mr. Maka Kotto: Thank you.

The Chair: Very well. Thank you.

Mr. Carrie, it is your turn.

[English]

Mr. Colin Carrie: Thank you.

Thank you very much for being here today.

How many actual registered members do you have in your organization?

[Translation]

Mrs. Marie-Ève Rancourt: We represent a number of family economy cooperative associations, or ACEFs, as I mentioned. They also have members—

Mr. Colin Carrie: —individual members.

Mrs. Marie-Ève Rancourt: We are a federation. So we are an umbrella organization. We do not have individual members.

Our mandate is not to represent members but to advocate for consumer rights.

[English]

Mr. Colin Carrie: I was just curious to know how many consumers you actually represent.

Where do you get your money from? Who funds you?

[Translation]

Mrs. Marie-Ève Rancourt: We get some funding from the Department of Industry, and some from the Office of the Privacy Commissioner of Canada.

I cannot give you any more details. I am not the accountant for the organization. I am not fully aware of all of our finances.

• (1725)

Mr. Colin Carrie: Fine. Thank you very much.

[English]

I'd like to give the rest of my time to Mr. Arthur, please.

[Translation]

Mr. André Arthur: Good afternoon, Ms. Rancourt.

Mrs. Marie-Ève Rancourt: Good afternoon.

Mr. André Arthur: You present your arguments in a very coherent, well-reasoned and eloquent way.

I want to know whether you are here as a telecommunications expert or as a representative of an organization.

Mrs. Marie-Ève Rancourt: I am here as a telecommunications analyst for the Union des consommateurs.

Mr. André Arthur: All right.

Did you develop the arguments that you have presented yourself, or are they the result of consultation?

Mrs. Marie-Ève Rancourt: Are you talking about consultation with our members, for example? What do you mean by consultation?

Mr. André Arthur: Are your arguments based on your own expertise or did you consult people before coming to the committee?

Mrs. Marie-Ève Rancourt: The ideas were developed by us and on the basis of consultation with our members—especially the ACEFs—which are in contact with people who are dealing with problems in the telephone industry.

Mr. André Arthur: When you say "developed by us," who are you talking about?

Mrs. Marie-Ève Rancourt: Our team at the Union des consommateurs.

Mr. André Arthur: Who are these people who are living off subsidies from the Department of Industry?

Mrs. Marie-Ève Rancourt: What do you want? A list...?

Mr. André Arthur: Who are these people?

Mrs. Marie-Ève Rancourt: Employees in our organization.

Mr. André Arthur: Do you have a panel of experts? Do you give out research contracts? How do you go about preparing the arguments that you have just presented to us?

Mrs. Marie-Ève Rancourt: We work. We arrive at the office at 9 o'clock in the morning. We work until 5 o'clock in the afternoon and we try to strategically monitor what is going on in the political arena and analyze what the various ministers are doing.

Mr. André Arthur: Did you meet with a lot of different groups, or did you get together with the people that you mentioned in your office at 9 o'clock in the morning?

Mrs. Marie-Ève Rancourt: As I mentioned, we had meetings with our various ACEFs.

Mr. André Arthur: Fine.

The family economy cooperative associations are also groups without any membership lists, if I understand correctly.

Mrs. Marie-Ève Rancourt: No. They certainly each have a small number of members.

Mr. André Arthur: They each have a small number of members.

Do you need a large room to hold the annual meeting of the Union des consommateurs?

Mrs. Marie-Ève Rancourt: I do not see the relevance of these questions, honestly.

Mr. André Arthur: That is up to me to decide. I am asking the questions. If the chairman wants me to stop, he will say so.

Mrs. Marie-Ève Rancourt: Fine.

Mr. André Arthur: I am asking you a question but if you want to refuse to answer, that is your right.

Mrs. Marie-Ève Rancourt: I am not a member of the board of directors, and I have never attended a general meeting. I would not even be able to give you an answer.

Mr. André Arthur: So you were not told at a general meeting to represent your organization in this debate by making specific arguments. You decided that in your office with your friends.

Mrs. Marie-Ève Rancourt: It was not with my friends or our friends. I find those remarks somewhat arrogant. It is if you were saying that we were not qualified. I think that that is a bit arrogant.

I believe that we have enough knowledge to make comments.

Mr. André Arthur: I did see that you were knowledgeable. Where did you gain that knowledge? What is your...

Mr. Robert Vincent: Excuse me, Mr. Chairman.

Is there a question? Is the point here to find out what Ms. Rancourt's qualifications are? She came here to give her views.

When he communicates with his party, I do not ask him who he is talking to and what people are like in his party. Those are not the issues, in my opinion. If he has relevant questions to ask the witness about deregulation, which it is what we are talking about, he should ask them. If he has no relevant questions and is simply trying to make the witness uncomfortable so that she says something or other, that is unacceptable in this committee. We are here to find out more about deregulation. So if he has questions to ask about deregulation and consumers, he should do so.

The witness is a consumer, like us, and she can comment on these issues without being subjected to a raft of random questions such as those being put to her right now.

[English]

The Chair: Monsieur Arthur.

[Translation]

Mr. André Arthur: Mr. Chairman, I clearly asked the witness to tell us on what basis she was appearing before the committee, and she indicated that she was an expert. I am trying to see where her expertise comes from.

Mr. Robert Vincent: No, analyst!

[English]

The Chair: Order.

[Translation]

Mr. André Arthur: I am trying to find out where her expertise comes from, and if that shocks the Bloc member from Montreal, that is not my problem.

Mr. Robert Vincent: I have a point of order. Mr. Chairman, we will continue along the same lines.

If Mr. Arthur has points to raise and he is unable to grasp... The witness said that she was an analyst. He understood that she was from the Union des consommateurs, since that is written here on the agenda for February 21st. If he is unable to do his own research into the witness's qualifications or to have that done by his party's research team...

Mr. André Arthur: Mr. Chairman, no one better than the witness...

[English]

The Chair: Order. One at a time.

Monsieur Arthur had a brief point.

Mr. André Arthur: Nobody is better qualified than the witness to talk about her qualifications.

•(1730)

The Chair: On this point of order, from my understanding—I'm trying to follow very rapid French—Mr. Arthur was asking who were the members of the Union des consommateurs. I allowed that. I thought it was a valid question. I think any association that comes before us typically would be able to answer who the members of their association are.

That's what I thought the question was and that's why I allowed the question.

Mr. Arthur is out of time anyway, so now we go to Mr. Masse.

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

Thank you for being here today. I recognize that you are not a 100-year-old monopoly with access to lawyers and opinion research that you could tailor-make to your own group and organization, unlike Bell and other groups that have presented here in front of us.

There's been a lot of discussion about who represents consumers. We've had Bell say that, we've had the minister say that, and we've had your organization. Have you seen any of the opinion polls or research presented to us by Bell, for example, arguing that consumers are in favour of this? Have you had a chance to see that, and what is your opinion of that research?

[Translation]

Mrs. Marie-Ève Rancourt: Yes. I read that poll and I also have the poll that was done 12 months earlier and which said the opposite. I don't know if you are aware of it. So we have two polls that give conflicting opinions.

You are no doubt aware that the telecommunications sector is extremely complex. You have been meeting for a number of days to try and understand the ins and outs of deregulation, to understand the framework that has been brought forward by the CRTC, the Canadian Radio-television and Telecommunications Commission, as well as the framework that has been brought forward by Minister Bernier.

I would be insulting your intelligence if I were to say that you felt consumers were expressing their opinion by answering yes or no when asked if they are in favour of deregulation.

In my opinion, deregulation is an extremely complex issue. It is hard to get your head around it, and you can't simply answer the question with a yes or a no. Unfortunately, it is probably difficult for many people to understand who is behind the scenes in all of these infrastructures, as well as the problems and the regulation that govern the telecommunications sector.

If you follow current events in Quebec, then you know that polls can be designed to say just about anything. We have to be very careful when using polls to write policy in areas as complex as telecommunications.

[English]

The Chair: Mr. Masse.

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

That's exactly how I felt. I think it's important as well to...and this is an issue I'm really concerned about, so maybe you can answer this. One argument against deregulation that at least I have been supporting is that you can't really go back. We heard from some of the individuals here with their companies that they're freezing operations and they won't enter into other markets.

In your opinion, how sound is the suggestion or argument they're making that if we go toward deregulation too quickly, the way the minister is proposing, we'll actually reduce competition for the long term?

Second, do you have any concerns about restricting the percentage of ownership that's required under the current law on foreign investment?

[*Translation*]

Mrs. Marie-Ève Rancourt: Absolutely.

[*English*]

Mr. Brian Masse: Thank you, Mr. Chair. That's good enough for me.

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

[*Translation*]

Thank you very much, Ms. Rancourt, for your presentation.

[*English*]

Members, we have about 10 minutes to get to the House for votes.

Thank you very much for your questions and answers today.

The meeting is adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

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