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Chair

Mr. James Rajotte

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• (1530)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): Okay. We will call the 50th meeting of the Standing Committee on Industry, Science and Technology to order.

The orders of the day, pursuant to Standing Order 108(2), are continuing our study on the deregulation of the telecommunications sector.

Members, before we get to the witnesses, I want to have the committee adopt the agenda. We had a subcommittee meeting yesterday in which all parties agreed to the agenda for March, April, and at least the beginning part of May 2007. Everybody should have it in front of them. This was agreed to by all parties. I want to have the full committee adopt the subcommittee agenda.

Can I get someone to move it?

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): I so move.

The Chair: It's moved by Mr. Shipley, and seconded by Mr. McTeague.

(Motion agreed to)

The Chair: Thank you very much.

We will now go directly to our witnesses. We have five witnesses with us today, for two hours.

I'll remind members that we have votes. I think we have two hours of votes tonight, and we'll have to finish by 5:30.

Each witness will have five minutes for an opening statement, and then we'll go directly to questions from members.

I'll briefly introduce the witnesses. We have Mr. Robert Proulx, president of Xittel Telecommunications Incorporated. Secondly, we have Patricia MacDonald, a lawyer with the British Columbia Public Interest Advocacy Centre. Thirdly, from the ARCH Disability Law Centre, we have Phyllis Gordon, who's the executive director. Fourthly, from the Quebec Coalition of Internet Service Providers, we have Sophie Léger, the spokeswoman. Lastly, from the Terminal Attachment Program Advisory Committee, we have Mr. Claude Beaudoin, laboratory director, certification and engineering bureau.

You'll each have up to five minutes for an opening statement. We'll start in order and work our way down the list.

Monsieur Proulx.

[Translation]

Mr. Robert Proulx (President, Xittel Telecommunications Inc.): Good afternoon, and thank you for inviting me to appear here today.

My name is Robert Proulx, and I am President of Xittel Telecommunications Inc., a broadband service provider specializing in providing services to rural communities. We provide both VOIP telephone and Internet services. At present, we serve over 50 communities in Quebec and Ontario. Our business plan projects adding 100 new communities to our network in 2007-2008. For the most part, we have already signed agreements with communities to provide services. In most cases, we serve communities in which we are the only broadband provider at this time.

In Quebec, we have contributed to the Quebec government's Villages Branchés program, which has resulted in investments of some \$220 million and the construction of a 20,000-kilometre optical fibre network. We have had the privilege of being involved in the program as engineers, carriers and operators in 25% of the deployment.

In 2001, CANARIE awarded us the IWAY prize for our contribution to the development of private-sector optical fibre networks for universities and teaching institutions. More recently, we have concluded a partnership agreement with the government of PEI, to build and operate a provincial network involving some 500 kilometres of cable, to serve government buildings and PEI communities which do not yet have broadband access.

Appearing at the later stages of your hearings has given us the opportunity to read the 262 pages of committee proceedings transcribed so far. I can assure you that these hearings will have an impact on the history of Canadian telecommunications. This is a turning point in the history of Canadian telecommunications. Increasing competition in urban markets is leading some former monopolies to feel the cards are stacked unfairly against them, and they want the system to be deregulated immediately.

However, we should bear in mind that the market involves players other than former telephone and cable distributor monopolies. Players like Xittel Telecommunications Inc. are making a genuine contribution to society by deploying new broadband telecommunication infrastructure in rural areas which have been and continue to be poorly served by current providers. We do not see how there could be a better return on investment in the future, since there was none several years ago.

We have read that the committee was preparing to send the minister a letter in order to focus its recommendations on the test that would be applied in order to permit accelerated deregulation of local telephone services. Here, there are some requests we would make of you. We have also read that the committee was asked by Minister Bernier to draft a comprehensive report analyzing each of the review panel's recommendations. Here again, we would have some demands to make of you.

We will shortly submit a brief to the committee, a brief that we hope will be useful to you in drafting your letter and your report. If I may, I would like to share some of our requests with you now. Those requests were communicated to Minister Bernier when he came to Trois-Rivières.

Our position can be stated as follows: competition among local telephone service providers should be permitted only after barriers to the entry of interconnections and the competitive availability of infrastructures demonstrated as perfectly substitutable has been eliminated. It would be idealistic to believe that a company like Xittel would acquire several million dollars' worth of equipment, as demanded by the dominant firms, to connect with the public network in order to serve the several thousand clients we wish to serve.

Technologies that enable low-cost interconnection are available, and are in fact used by the dominant companies, but new entrants are required to invest in extremely costly technology. This constitutes an entry barrier for small players in rural areas.

Moreover, the CRTC and Competition Bureau must recognize that access to infrastructure is a crucial factor in competition, and that there is no point in continuing the deregulation process if the main issue is not to ensure that conditions conducive to building new infrastructure are maintained. Allow me to give you an example. We are now implementing a project in Prince Edward Island. We are being groundlessly denied access to 500 kilometres of fiber optic cable. The reason for that is simple: if the project is sufficiently delayed, profits generated by the dominant company will be sufficient to pay the lawyers' fees.

The Competition Bureau must demonstrate, in practical terms, empathy for companies building new infrastructure by protecting them from abuses of power perpetrated by former monopolies. Moreover, the government must set competition objectives for rural areas and formulate a strategy to achieve those objectives in order to ensure that regional and rural markets no longer have funds diverted from them to finance competition efforts in the cities.

We also believe that the government must take action in order to provide an effective regulatory framework for optical fibre data transmission over large distances. There is little competition for that in regional and rural markets.

• (1535)

The Magdalen Islands are a perfect example of this. There, we pay 10 times more to connect with a public network, even though the undersea cable construction was financed through provincial and federal public investment. We consider that unacceptable.

We believe the government must follow up on the review panel's recommendations that promote competition, and do everything in its

power to ensure quick, affordable access to support structures and other essential infrastructure. Our survival depends on it.

Thank you.

[English]

The Chair: *Merci beaucoup.*

We'll now go to Ms. MacDonald.

Ms. Patricia MacDonald (Staff Lawyer, British Columbia Public Interest Advocacy Centre): Thank you for the opportunity to provide comments to this committee.

In my work I have the privilege and the responsibility of representing the most vulnerable of consumers: the elderly, those who are disabled, persons on income assistance, and tenants.

Basic telephone service is an essential service. Having a telephone connects people to family, friends, employment, and a multitude of providers, including government, doctors, and emergency services. It is vital that all Canadians have this service.

Many of the consumers I represent are on fixed incomes. Increases in the cost of the services they need take up a greater percentage of their monthly income than it would for those of us in this room. For low-income consumers, access to affordable telephone services is paramount. While many consumers want choice and are willing to pay a premium for it, those on a low income do not have that luxury. These consumers are the least likely to have access to alternatives for regulated service.

I represented seven low-income consumer organizations in the last CRTC public hearing into the price caps. In that hearing, the evidence showed that the vast majority of Canadians, over 92%, obtained phone service from the regulated monopoly providers.

There are two alternatives to this regulated service: voice-over-Internet service through cable or computer and mobile phone service. Voice-over-Internet service is still in its infancy, and in B.C. and Alberta—the provinces I'm most familiar with—they only have approximately 4.5% of the market share. Consumers have had the choice of switching to mobile phones for the last five to ten years, but since then, only 5% to 6% of consumers in Alberta and B.C. have done so.

Why do the vast majority of Canadians prefer their regulated monopoly service?

Let's examine the costs. In B.C. the cost of regulated phone service, which provides unlimited local calling, ranges from \$23 to \$29 per month. In B.C. the major cable provider offered a package that included unlimited local calling for \$55 a month, approximately double the cost of the regulated phone service. This service had six options included in that price, but for those customers who do not want the options or cannot afford these options, there is no choice. They will continue to keep their regulated phone service.

The price for mobile phone service is also not comparable. A customer must obtain a mobile phone and then purchase a monthly package of prepaid minutes or a monthly package. Both of these plans are expensive. I am sure you need only look at your own phone bill to see the truth of that. A Telus survey reported that, on average, consumers spend \$79 a month on mobile phone service.

The evidence in the hearing also revealed that there are other problems besides price. For mobiles, they can be difficult for the elderly and disabled persons to use; multiple mobile phones would be needed for families to switch to that service; consumers need a reasonable credit rating or must pay a large deposit; and prepaid plans have limited use.

For voice-over-Internet service, some problems are, again, that computers can be more difficult for the elderly and disabled persons to use. They have unreliable 911 service, and the service does not work if the power goes out. Low-income consumers cannot afford computers.

It is a false assumption that the presence of competition equals competition. Despite having a choice of switching to mobile phone or voice-over-Internet service, over 92% of Canadians have not done so. We say this because the service and the pricing of the alternatives are not yet comparable and there is no regulation.

Competition may be developing; however, until then, consumers should continue to enjoy the protections of the regulatory regime designed to ensure that all Canadians have reliable and affordable telephone service.

If all this falls on deaf ears, my second point is that if telephones are no longer regulated, the terms of service will also not be regulated. Telephone companies will be free to rewrite these terms of services, and these terms can be disadvantageous for consumers. For example, in B.C., if you want to cancel your Internet service with Telus, you will be charged \$120. This is a significant penalty and a disincentive to switching providers.

We have consumer protection legislation in B.C. However, the B.C. government has taken the position that consumers who have problems with their telephone, Internet, and cellular phone service will not be covered under the B.C. legislation, as these matters are under federal jurisdiction and there is no federal consumer protection legislation.

• (1540)

This means that if you have a dispute with your telephone company, you must go to court. In B.C., a consumer who has a dispute—using the example of the \$120 I mentioned earlier—would have to pay \$100 in order to have the matter heard in court. Clearly that is disproportionate to the amount in dispute, and for low-income consumers that fee would be unaffordable.

If deregulation occurs, we recommend that the federal government ensure that consumers are protected by consumer protection legislation, either through provincial legislation or by enacting its own legislation. All consumers deserve that protection.

Thank you.

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

We'll go now to Ms. Gordon, please.

Ms. Phyllis Gordon (Executive Director, ARCH Disability Law Centre): Thank you very much for the opportunity to attend.

I'd like to start with some comments about disability in Canada, and point out that every Canadian is likely to have a disability at some time or other. Many people have had a disability all of their lives, while others may have a disability caused by an accident or an illness. It could be temporary or permanent. The process of aging brings various impairments of function that often lead to permanent disability.

Whatever the origins of disability, people wish to live as independently as possible.

In Canada, of adults over 15 years of age, approximately 16% have disabilities. Of adults over 65 years, approximately 42% have disabilities. About 23% of Canada's population will be over 65 by 2040, as compared to 12% in 1995. Canadian seniors are living longer than ever before, and as they age their experience of disability increases. The increase in the numbers of older people in our population has emphasized the importance of viewing disability within the mainstream and not as a fringe issue.

People with disabilities are determined to press for respect and dignity, and to participate in all aspects of Canadian life. Key to that participation is full and equal access to telecommunications. The current barriers are very lengthy to describe, so I'll make only a few comments with regard to telecommunications for people with disabilities.

It's important to remember that the problems experienced by people with disabilities in using telecom services are diverse, because disability is diverse. There may be problems in using the terminal and there may be problems in obtaining connections across the network. Problems with terminal equipment include inability to see markings and displays, inability to hear the ringer or the received speech, and inability to handle the instrument and its controls.

For example, individuals with little capacity to control hand movements have insufficient motor control to use keypads, given the small numbers and lack of space between the numbers. People with weakness and chronic joint pain may find it impossible to press the buttons, and even to turn the phone on or off.

All of these problems can be resolved, or at least lessened, with suitably designed terminal equipment. Frequently, however, no such suitably designed equipment is available. This situation can only be viewed as a failure of the market, which would justify regulatory intervention.

Problems in obtaining connections across the network frequently involve the terminal to some extent. People who communicate slowly or with irregular voice patterns find that the speed and inflexibility of automated services cut them off, and they become anxious when they're rushed.

For people with disabilities, access to the telephone network is governed by the performance of the telephone terminal to the same or greater extent than performance of the network itself. So facilitating telecommunication services for people with disabilities or thinking of universal service while at the same time excluding the regulation of terminal equipment will simply prove hollow.

I want to talk very briefly about the Telecommunications Policy Review Panel and its report. One of the main reasons is that in the proposed revisions of the objectives of a new Telecommunications Act, they clearly indicate that to enhance the social well-being of Canadians and the inclusiveness of Canadian society, one goal will be to facilitate access to telecommunications by people with disabilities.

An initial comment is that if you're looking at that report, the list in section 7 of social goals is a finite list. We think this cuts off the potential to regulate for the social good about matters that aren't evident at this time. So we draw that to your attention about the telecom policy's review.

Secondly, with respect to that report, they mention that there should be a facilitation of telecommunications services for people with disabilities. It's our view and our submission that this doesn't meet the standards in Canadian law, and in fact the policy should be to ensure access to telecommunications services for people and Canadians with disabilities.

• (1545)

There are two recommendations of the report that are very important that we'd like to underscore. One was recommendation 2-6 of the telecommunications policy report. That was the one where the CRTC "should be empowered to directly regulate all telecommunications service providers" and not pick and choose.

The second is the development of a consistent application of policy by amending relevant federal legislation to ensure that all government departments and agencies that implement telecommunication maintain the consistency of telecommunications policy. This consistent application of policy is very important for people with disabilities because it is the way that Canadians who have disabilities will eventually be able to have terminal equipment that is accessible. It is essential that Industry Canada be regulated with respect to this issue as well.

The Chair: Okay.

Ms. Phyllis Gordon: I see my time's going.

The Chair: Unfortunately, your time is up, Ms. Gordon, but we'll get to you during questions, and we do have your full presentation before us here today. Thank you very much for that.

We will now go to Ms. Léger for five minutes, please.

• (1550)

[Translation]

Mrs. Sophie Léger (Spokeswoman, Quebec Coalition of Internet Service Providers): Good afternoon.

Thank you for giving me this opportunity to express the views of the Quebec Coalition of Internet Service Providers, which I represent.

In Quebec, the innovation which the Internet represents came from members of the coalition. At the end of the 1990s, the incumbents took control of the high-speed—DSL—and cable modem technologies, and started limiting access to their infrastructure. That infrastructure to date remains as essential as it was then, both for consumers and for Internet service providers.

The major problem members have faced in the past three years is the change from a positive wholesale gross margin generated by the low-speed products to a non-profitable high-speed product.

This is the result of uncompetitive behaviour by incumbents, who sell the high-speed products to attract new customers to their network as a loss leader, financed by the highly profitable products, for which they still have a monopoly.

This is why we have not seen any reductions in our telephone or cable television bills in the past ten years. In fact, those bills are gradually going up to fund the non-profitable activities of cable distributors and incumbents.

We will also be conducting an extensive review of the 127 recommendations made by the TPRP, and submit those to you to help you in drafting your report.

With regard to Internet service providers, the coalition cannot comment on the effectiveness or role of the CRTC with respect to radio and television, because that is not an area we know.

When it comes to the Internet, however, the CRTC and the members with whom we have dealt over the past seven years helped us a great deal, so much so that two or three years ago CRTC members told us their hands were tied by continuing pressure and intensive, effective lobbying by incumbents on Parliament Hill. The effects extend as far as the CRTC. They recommended we take more political action to get our messages across. We believe that the CRTC has fulfilled its role, particularly with respect to the latest decisions and directives from Industry Canada on the deregulation of Internet services.

There are three major points I would like to make. The coalition is happy about the comments made by Maxime Bernier, Minister of Industry, before this committee on February 19. Minister Bernier said that in any restructuring of the telecommunications industry, it must be ensured that wholesale services and access to them are maintained in their current form. We have appended an excerpt from Mr. Bernier's speech, which you can read at your leisure.

There is one opinion by the Competition Bureau that we find very troubling. In our brief, we have included excerpts from the Competition Bureau's testimony. The Competition Bureau submitted evidence concerning CRTC public notice 2006-14, and expressed opinions demonstrating that it cannot provide objective data to the CRTC or to the tribunal that was to be established in accordance with TPRP recommendations, simply because it concludes the telecommunications industry would be competitive using the infrastructure of the current duopoly.

We do not know on what basis the Competition Bureau reaches that conclusion, but the economics expert we hired said the opposite. This means that the Competition Bureau's latest opinions are extremely disturbing, and demonstrate the bureau's lack of objectivity.

● (1555)

Lastly, for the edification of committee members, we have highlighted the link between the retail gas industry and the telecommunications industry. If the industry were deregulated and the CRTC or competition tribunal was no longer involved in the process, consumers might suffer the same fate as all those drivers paying high prices for their gas today. With no regulated minimum price, consumers would not be protected at all.

[English]

The Chair: Thank you, Ms. Léger.

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

[Translation]

Mr. Claude Beaudoin (Laboratory Director, Certification and Engineering Bureau, Department of Industry, Terminal Attachment Program Advisory Committee): Mr. Chairman, members of the committee, thank you for your invitation to appear before the Standing Committee on Industry, Science and Technology this afternoon.

I am pleased to have the opportunity to discuss the terminal attachment program and its advisory committee, the TAPAC.

[English]

For many years, the Terminal Attachment Program Advisory Committee, or TAPAC, has ensured that wireline telecommunications equipment connects safely to public telecommunications networks without interfering with or degrading the service of other users. The terminal attachment program exists to prevent harm to the telecommunication service providers network and personnel and to ensure that telephones sold in Canada afford access to telecommunication service to the hearing-impaired. This program deals with terminal equipment such as telephones, facsimile machines, modems, and digital subscriber lines, DSL equipment that connects through cord or wire to public telecommunications networks.

The terminal attachment program was called upon by telecom decision 82-14 of the CRTC in 1982. This decision allowed customers to connect their own telephones to the public telecommunications network. The commission pointed to TAPAC as the appropriate forum to develop the standards that would permit the implementation of this decision.

Industry Canada, back then Communications Canada, was the only body authorized to test and certify terminal equipment. The program has evolved over the years while constantly streamlining its regulations. As a result, all testing is now performed by recognized private sector testing laboratories. Certification was replaced with a less onerous process called supplier's declaration of conformity. The technical requirements that terminal equipment must meet are now based on regional or international standards. This has significantly reduced the burden on the industry, while ensuring that basic requirements to prevent network harm are met. The program

regulatory requirements are updated about twice a year to include new technologies or to remove obsolete requirements.

TAPAC acts as a direct consultation mechanism between Industry Canada and the telecommunications industry. It is well attended and has proven to be very effective in providing the industry with a forum to openly discuss the requirements of the program and to advise the department.

By design, TAPAC has a balanced representation matrix from all sectors of the telecommunications industry, and I have put a copy of the terms of reference of TAPAC on the table for your information.

The terminal equipment environment has changed over the years, but subscribers are still served through shared access facilities, which have been in place for decades. The need to ensure trouble-free access to telecommunications service has intensified with the introduction of technologies such as DSL that try to stretch the reach and speed of the access facilities.

[Translation]

The program also covers technical requirements that implement social policies. I am referring here to hearing aid compatibility and volume control requirements for telephones. These requirements are increasingly important as our society ages.

[English]

Other aspects of the terminal attachment program that go beyond the actual advisory committee and requirements development work are compliance measuring, technical verification, and the enforcement process. These activities ensure compliance with technical requirements and are conducted by different groups within Industry Canada. These groups derive their authority from the Telecommunications Act and the Department of Industry Act.

The Federal Communications Commission, the FCC, in the U.S. has a similar approach to our terminal attachment program. Canadian and U.S. requirements have been harmonized to a large extent. It is important to note that in the U.S., the FCC held a hearing to review its terminal attachment program in July 1999. The commission found that the industry was adamant that mandated and enforced requirements were still required. Although some processes were changed, the FCC still has terminal equipment requirements in their rules.

Similarly, in Canada, comments received in response to the questions posed by the Telecommunications Policy Review Panel during its consultation process indicated that, in general, the Canadian telecommunications industry continues to believe that the program and its advisory committee are still relevant and necessary.

● (1600)

[Translation]

In conclusion, the program is under constant review to ensure relevancy as technology advances and every opportunity is taken to deregulate.

The ongoing need for the program is evidenced by an active participation in TAPAC from a good cross-section of the telecommunications industry. The program and TAPAC play a vital role by protecting the integrity of the public communications networks and by providing access to telecommunications services to the hearing-impaired.

Thank you.

[English]

The Chair: Thank you very much.

We will now go to questions from members. I'll just remind members and witnesses that members are limited in their time, so if you could, make questions and answers as brief as possible. Second, if a member directs a question to a certain witness, and someone else would like to answer it, just indicate it to me, and I will try to ensure that you have some time, as well.

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

[Translation]

Hon. Dan McTeague (Pickering—Scarborough East, Lib.): Thank you, Mr. Chairman.

I would also like to thank our distinguished witnesses who took the time to be here today. There are many points in your presentations that certainly constitute food for thought.

My first question is to Patricia MacDonald.

[English]

In your report to us, you give an example of British Columbia, where if you want to cancel your Internet service with Telus, you'll be charged \$120. This is a significant penalty and a disincentive to switching providers.

Given the lack of a precise arbiter in this circumstance, and as deregulation goes forward, April 6 hangs like a red-letter day for many. How serious do you take the prospect of consumers being poorly served should deregulation go ahead, as proposed by the minister, which for most of us here is really only a number of recommendations chosen by the minister from the entire TPR report?

Ms. Patricia MacDonald: It's quite serious. The monopoly telephone companies have been fairly used to and fairly comfortable with dealing with consumers with their terms of service. Now that deregulation is looming, I think there's a free-for-all out there, and I say that because of the consumer calls I get.

That instance I mentioned is a woman I'm representing. She ordered her Internet over the telephone, did not, subsequently, receive terms of service in the mail, and had no idea that there would be a penalty. And now she's fighting with them. Of course, they're threatening to shut off her local phone service because she doesn't want to pay the \$120 penalty for cancelling the Internet. That's not the only instance I've heard of. It is happening.

Hon. Dan McTeague: Let me turn to Ms. Gordon, who gave us a wonderful presentation, as well.

You talked a little earlier about facilitation of services, the requirement for better access, for regulated activities, and for all departments to be consistent. In terms of the non-requirement under

this order by Minister Bernier to provide or guarantee existing quality of service, how is this going to affect disabled people in Canada, overall, if this proceeds on April 6?

Ms. Phyllis Gordon: I'm not sure that I can really answer that question. We're looking at a broader thing.

For quality of service, I guess the one aspect I can speak to is people who are using broadband for data or text transmission, in particular, who have disabilities and with VOIP can really benefit from the many different kinds of communications and transmissions that can occur. If quality of service is not maintained at a very high standard, there can be degradation of the actual communication that's received—packets get lost—and the quality of service itself can be extremely detrimental for people with disabilities. Our pitch, primarily, is that social regulation not get lost.

• (1605)

Hon. Dan McTeague: If I am to take you correctly, you have pointed out that section 7 in the Telecommunications Act suggests the enhancement and social well-being of Canadians and the inclusiveness of Canadian society by.... And you list these. Is there a risk that these conditions will be lost in the minister's selective undertakings, setting aside the CRTC and setting aside the TPR report? Is there a danger here that disabled people in this country are going to be left out in the rush to go to what he proposes is an open market version?

Ms. Phyllis Gordon: If he does not preserve what goes along with in the report, which is to maintain social regulation, we're in a very serious situation. Absolutely, we're in a serious situation. One of the things I have pointed out that I didn't refer to is that currently, if you're using a TTY or long distance, and a person is deaf, you get a reduction in price. Are they going to allow the same kind of price control for somebody with a disability who may require a higher quality of transmission that might cost more? There are a lot of questions. If the deregulation goes through without any oversight for social regulation, then we really are in serious trouble.

Hon. Dan McTeague: Chair, how much time do I have?

The Chair: You have a minute and a half.

Hon. Dan McTeague: We're concerned that that there is no oversight at this point. There is no discussion of an ombudsman on the proposal if it goes ahead on April 6. There is no provision to have the Competition Bureau bring its position forward. Of course, the Telecom Competition Tribunal will not be put in place to provide those kinds of safeguards.

[Translation]

I should perhaps put my question to Ms. Léger, who is sitting beside you.

Ms. Léger, without protection measures, do you believe the risks are even greater than those we now see in the retail gas industry, which you mentioned earlier?

Mrs. Sophie Léger: The issue is not only price, but quality as well. On this issue, the coalition and myself largely share Ms. Gordon's opinion.

One very important point we have raised here today is network neutrality. That point is also being debated in the US. If we let infrastructure owners prioritize packets, be they those of companies that pay the most or those of their affiliated companies, those will be the ones to keep the most customers.

At the same time, we might end up with the issues Ms. Gordon mentioned. If someone is a customer of a VOIP system, say with a third party, which the incumbent has not prioritized on its network, VOIP service could be seriously degraded. In fact, that customer might lose access to all VOIP advantages. But the issue is not VOIP alone. We still do not have TV over the Internet—TVOIP. We have not seen all those services yet. Yet, we agree that the future is with IP technology.

This is why the coalition believes that the infrastructure itself is an essential service. That is the crux of this debate—the infrastructure must be properly regulated to ensure that all Canadian consumers can be guaranteed quality and access regardless of where they live.
[English]

The Chair: Thank you.

We'll now go to Monsieur Crête.

[Translation]

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

Thank you very much for your comments.

My question is in two parts. I would like quick answers from each of you.

First, what repercussions will the minister's decision have on your organization or the people you represent? If we stay on this path, where will we be in three years?

Second, should we start from scratch, take the report of the Telecommunications Policy Review Panel, and establish a comprehensive legislative framework?

I would like each of you to answer both questions, in one or two minutes, please.

Mr. Robert Proulx: I'll begin.

Obviously, a small company like ours or like the Internet providers Ms. Léger represents, is sensitive to what I would call targeted competition. Since our market is fairly small, there is no question that someone who really wants to eliminate us could do it. Full deregulation, with no limitations on unfair competition, would push us out of the market completely.

Our company's sales figures amount to some \$10 million a year. We serve some 100 communities and generate 60 to 70 jobs in the regions. Since there are no limitations to protect us, we could easily be pushed out of the market.

One thing is important for us, and we believe that thing should be considered at all times. Regardless of whether there are regulations in place, there must be some assurance that no unfair competition takes place, and that small players are given the opportunity to participate in the market. Obviously, small companies will not have the means to fight the major companies. So we need support there.

With regard to the second question, we completely agree that we should start from scratch, to ensure that all recommendations on deregulation are implemented in an orderly fashion, so that we don't end up throwing out the baby with the bath water. We can look at the major cities, where the major players are very aggressive, but we know that some 80% of Canada's rural regions are not served by those major players.

If we are not very careful with deregulation, the situation in rural areas could well get worse. We must actively ensure that does not happen.

• (1610)

[English]

Ms. Patricia MacDonald: For us, I would see the biggest impact on the consumers I represent is that people just will no longer be able to afford a phone at the rates that I had earlier addressed in my opening comments.

For someone who is on a disability income, if they're paying \$55 a month, that could be potentially 10% of their income. It simply wouldn't be affordable. It would be the choice between food and housing and a telephone, so they would rely on the remaining pay phones that are left out there, and they certainly wouldn't have any access to the Internet at all.

So I'd like to go back. I think that's the appropriate way to proceed until competition has really taken a firm grip and we actually see it. It's not likely, given what I've heard, that we are going to go back, but that doesn't mean those recommendations shouldn't be made if you have the evidence before you to show why they shouldn't be made. And I say that to protect consumers. Perhaps something should be done and some recommendation should be made.

There are the lifeline programs in the United States that might be interesting to look at. These programs protect low-income consumers, particularly. I would refer you to a report commissioned by Human Resources Development Canada in 2002. It is by Philippa Lawson, former counsel at the Public Interest Advocacy Centre. She describes these in detail. I will provide that to the clerk.

The Chair: We have about two minutes left, so we can have the three of you in the two minutes.

Ms. Phyllis Gordon: I think that for people with disabilities telecommunications is their lifeline. It is the way of communicating and connecting, whether it's through your computer or your telephone. Without connection, people will be more and more isolated and will be less and less employable.

It is the government's view that we should be assisting people with disabilities and not creating increased barriers. It's our view that without really standardized approaches to telecom in the level of accessibility, both at the network level design and the terminal equipment design such as exists in the United States, we will be really going backwards.

I want to point out that there has been an organization for 30 years in the States called the Access Board, which sets regulations. It's currently reviewing all the standards for section 508 under the rehabilitation act and section 255 under the telecommunications act in the States, both of which are very powerful instruments that lead to accessible telecommunications in that country. It really seems quite backward that we should be jumping ahead wholesale, without looking seriously at these issues. We must go back, if we can, to really examine seriously the report from the panel.

The disability community really needs time to adjust, to hear, and to participate. Quick action by the government now will really cut out the public debate. This is not in the front pages of the paper. We're a little two-person group trying to get the issue on the disability community's platform. If the government goes too quickly, it will really undo a great deal of important work and leave people in more isolated lives.

The Chair: We're right out of time. Perhaps I'll let Ms. Léger have a comment.

I'm sorry to do this, but perhaps I can remind the witnesses that each member is given a very short period of time.

If you do all want to speak, you will have to be very brief in your comments. Mr. Crête only has six minutes, so you have to speak for one minute each.

I will give Ms. Léger a bit of time here.

[Translation]

Mrs. Sophie Léger: I will briefly answer the first question.

Three years from now, we would effectively see the disappearance of competitors who are using wholesale services today. They would stop offering service to their customers.

In response to your second question, we recommend examining the entire process. All Canadian consumers would have too much to lose if the recommendations were to be implemented on an ad hoc basis. That would be going backwards, taking risks in terms of security, and blocking innovation in the future, because the small companies and groups that we represent today are the source of this innovation.

We should perhaps stop the process and review it in its entirety.

• (1615)

[English]

The Chair: Okay.

I'm sorry, Mr. Beaudoin, but we're well over seven and a half minutes here, so we'll move on to Mr. Carrie.

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

I want to thank all the witnesses for attending this afternoon.

In my former life I was in the health care field as a chiropractor and I had the honour of treating many people with disabilities, particularly arthritis, so some of the things that you're bringing forward, Ms. Gordon, are of particular interest to me.

The CRTC decided in the deferral account decision that 5% of the deferred account funds had to be used to help people with disabilities. I was wondering whether you are satisfied with that CRTC decision. What do you think of it?

Ms. Phyllis Gordon: We were a party in the decision. On whether we are satisfied with it, \$34 million for the disability community is more than we have ever seen. We've never had a positive order like that in Canada. It felt like a victory on a large-scale level.

The decision is in the courts now. The CRTC is looking at it again. It's going on and on. The disability community is organizing and holding meetings to figure out how best to make submissions, but overall it was not our proposal. We thought that rather than leave the money with the companies, the \$34 million or more should be used to set up a true fund that would be available to the Government of Canada or some third party to administer to kick-start the industry to develop accessible and assistive devices.

In terms of time, Chairman Rajotte will jump on me if I answer your question in any more detail. I could talk for hours on the deferral account.

Mr. Colin Carrie: I am curious to know, and I think everybody here is curious to know, if you are satisfied with it overall.

Ms. Phyllis Gordon: I'm moderately satisfied.

Mr. Colin Carrie: Thank you very much. That's great.

I want to direct my other question to Madam Léger. Some of the statements you made concern me very much. It might have been the translation, but I think you mentioned that the CRTC told you it was controlled by the ILECs. Who at the CRTC told you that?

Mrs. Sophie Léger: They are not controlled by the ILECs. What's happening is we obviously used the road of the CRTC in some actions and discussions with the various ILECs. In some of the decisions, the CRTC staff members told us it was beyond their control. Lobbying by the ILECs and cable companies is so strong and is putting political pressure on the CRTC staff members to either delay processes or the part seven we submitted took eight to nine months to be solved without any success. That's a reason we heard from the staff members themselves, and that's why we decided two years ago to jump.

Mr. Colin Carrie: It is concerning me, because we've had people from the CRTC here and they seemed to behave very appropriately. They're very good regulators. Are you saying they're not impartial and they can be bought in some way?

Mrs. Sophie Léger: We are saying that the answers we got and the timelines in which we got them were not reflective of the motivation or what the staff members would have done if they had been totally free in their actions.

Mr. Colin Carrie: So staff members are implying that they weren't able to be objective in this way.

• (1620)

Mrs. Sophie Léger: Yes.

Mr. Colin Carrie: You also mentioned that the Competition Bureau could not give objective data to the CRTC. Is that because you disagree with the Competition Bureau? Why is the Competition Bureau not objective, in your viewpoint? Could you elaborate on that, please?

Mrs. Sophie Léger: I'll refer you to the two paragraphs we took from the evidence submitted to the PN 2006-14 made by the Competition Bureau. It is very disturbing to us that the Competition Bureau has an opinion right now that is not in line with Industry Canada's view.

The Competition Bureau says that wholesale access services should not be kept in the future in the telecommunications industry, while Industry Canada, in Minister Bernier's last comment on February 19, came back and said it had reviewed it, and in its view wholesale should be protected and kept as it is right now.

The Competition Bureau also stated that the current facility-based competition was the only way to be very competitive and the only way there will be an incentive to build additional facilities. We obviously have members that have built infrastructure right now, and we have wholesale access.

So the Competition Bureau made some very strong assessments. You can read the two paragraphs on your own, and they show that. It's very concerning to us that the Competition Bureau already has an opinion on that.

Mr. Colin Carrie: You're saying they have to be consistent with Industry Canada in order to be impartial.

The Chair: This is your final question.

Mr. Colin Carrie: Is that what you're implying here?

Mrs. Sophie Léger: No. We're saying they should first do an analysis of the current market. Most of the companies or *les intervenants* in the market say wholesale access is needed for competitors to come in and build their infrastructure in the future.

The Competition Bureau took an approach that was not based on an economic analysis. They came to some conclusions that are not documented by any specialists. They have some conclusions that completely differ from the analysis of the current industry.

The Chair: I'm sorry, Mr. Carrie, but you're finished.

I have to go to Mr. Masse.

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

Thank you to the witnesses for appearing here today.

I'll continue with Ms. Léger.

It was interesting. The minister appeared before committee. I asked him if an economic analysis had actually been done, and he admitted that it had not been the case.

In your opinion, another part of the plot that has been developing around this whole situation is that the minister in the budget said he was actually going to do a comprehensive review of Canada's competition policies and would report before the 2008 budget. Wouldn't it make sense for the actual report to be concluded and finished before deregulation? Would it be an advantage to consumers?

Mrs. Sophie Léger: Obviously, yes. On the entire deregulation, I think everyone agrees there needs to be deregulation. We're also in agreement with some of the recommendations of the panel and what they submitted in their recommendations. The only problem is that

right now there is no formal economic analysis. What will be the impact on retail prices and on low-income families?

On our side, if there is no more competition, we won't see prices decrease. We will see prices increase. It's very dangerous, because there will be no more competition.

Mr. Brian Masse: Yes, and it's exactly one of the concerns I have. The fact that this has been done piecemeal, and we don't even have legislation in front of us, is becoming of more concern, with the more testimony we've had as the hearings have proceeded.

I would move to Ms. Gordon. I spent ten years of my life working as an employment specialist on behalf of persons with disabilities. You brought up a very important point with regard to the deferral decision that I think we should be reminded of in terms of third party use.

I have a lot of concern about the deferral decision, because in Windsor, Ontario, the disabled population in my community, like everyone else, were overcharged \$75 by Bell. The publicly owned SaskTel only charged \$15. There's a big disparity across the country.

One of the things I am concerned about is this. We've had a lot of discussion about policies related to rural Canada, the fact that they feel isolated because they can't get Internet connections, and the qualities you've talked about.

Can you tell the committee how important it is for persons with disabilities to have that in their own homes, even in urban areas? They feel the same type of isolation because they can no longer do the things necessary to connect them with the rest of the community.

●(1625)

Ms. Phyllis Gordon: Yes, I think it is the essential issue. We talk about universal service as a telecommunications concept. When we started looking at the entire telecommunications model, it struck us as interesting because there were access issues and universal service issues. This is the language of the disability movement, in a funny way, because the entire community has been isolated for so long and disconnected from full participation in Canadian life.

Universal service should really be considered not only as a rural-urban matter; it should also include universal service embedded within the concept, meaning we now have the technology and people with different abilities have the capacity get the phones, computers, and services they need in order to communicate.

If you work in a place where a new chip comes in, if you're working in a university and the chip doesn't allow for a certain kind of accessible communication, you're going to cut off certain employees who might be relying on a new, modern, contemporary technological development.

We could send to you and ask you to read the examples we've given and have testified about in other hearings. Without the phone, without 911, and without the capacity to call in an emergency, if you can't use your phone, you're on your own.

Mr. Brian Masse: And it's also a question of those services being available at businesses and places of operation right now. Persons with disabilities have an unemployment rate of over 50%, which is appalling for a modern democratic country to have this type of basically systemic discrimination, in my opinion. But those services also have to be compatible with places of work, to be able to have a fair chance to get a job versus someone else.

Ms. Phyllis Gordon: Yes.

I think the real point is that the technology is here now, or almost here now. We really are at a stage where the VOIP age can make the difference for people with disabilities if it's properly managed and regulated. If it's left on its own—like mobile phones have been left on their own until extremely recently—they are completely useless for people with disabilities. A blind person can't use it, and a deaf person can't use a mobile phone. That was the unregulated market. Terminal equipment has to be brought into the fold and looked at again very seriously.

Mr. Brian Masse: I have a brief question to follow up. I'll ask for a quick yes or no from all members of the panel, just to find out whether they support the proposition.

I have been pushing for an ombudsman office, as well as consumer protection. Should that extend to include cell phones, cable, satellite subscribers, and Internet subscribers as well? Should that type of position encompass all those different types of service provisions?

Mr. Robert Proulx: I would say yes.

Ms. Patricia MacDonald: Yes.

Ms. Phyllis Gordon: Yes.

Mrs. Sophie Léger: Yes.

Mr. Claude Beaudoin: Maybe. As a regulator, we would have to entertain policy decisions.

Mr. Brian Masse: That's fine. That's a fair answer.

Any time left, Mr. Chair?

The Chair: You have 30 seconds, Mr. Masse.

Mr. Brian Masse: Real quickly, Ms. MacDonald, with regard to the Telus cancellation fee of \$120, it's appalling. Do they apply it to senior persons with disabilities and people on fixed income as well?

Ms. Patricia MacDonald: It's applied to everyone who has Internet service with Telus.

Mr. Brian Masse: That's unacceptable, and given the recent publicity of problems, you'd think that they would smarten up on situations like this.

Ms. Patricia MacDonald: If you cancel your phone, you would also be responsible for being charged \$400 for the free camera that they give you, which many consumers aren't aware of as well.

Mr. Brian Masse: That's just unbelievable.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Masse.

We'll go now to Mr. Brison.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you to all of you for your interventions today. In fact, you've brought to the

committee, I believe, perspective and information that is unique to what we've heard on a range of issues, particularly in terms of the impact of telecommunications reform and the potential impact of deregulation without adequate analysis firsthand of economically disadvantaged communities as well as Canadians who are living with disabilities.

The TPRP report does call for a thorough market analysis and review of the current market realities, prior to deregulation. Would you like to see as part of that review a specific reference to the impact on economically disadvantaged communities and on Canadians living with disabilities? Would it help address your concerns if that were part of the analysis prior to moving forward, if we were to flag that early?

•(1630)

Ms. Phyllis Gordon: If I might, I think that it's not only the economic impact, but it's also the access impact for people with disabilities. It's both issues.

Hon. Scott Brison: Yes. I'm sorry, I meant the two as separate issues.

Ms. Phyllis Gordon: Yes. It's also an economic impact on people with disabilities, both because of their generally lower income, but also a problem that has to be solved is the availability of equipment that is specially designed for different disabilities that may cost more. We have to factor into this thing an examination of how the telecommunications industry or the government is going to offer different equipment.

Hon. Scott Brison: I couldn't help think as you were making your presentations that it seems counterintuitive in some ways that people who are economically disadvantaged would pay higher costs for basic services than those who are better off. Then I was thinking about the banking system, and the fact that the people who cannot afford to maintain a basic bank account at a chartered bank often end up paying more for financial services through Money Mart and others. It's not unique; telco is not the only area where this is possible and in fact quite likely.

I'd like to expand more, Ms. Léger, on your concerns relative to the Competition Bureau. One of the TPRP recommendations was that a regulatory agency be set up and established that has the capacity in terms of understanding of telco, and not the CRTC necessarily, and not the Competition Bureau, but something new. I just want to be clear on this. Your concern is that the Competition Bureau will be less responsive, less knowledgeable, and potentially less sensitive to the people you work with than the CRTC?

Mrs. Sophie Léger: Well, our main desire is to have a tribunal. In our mind, a tribunal is independent from the old CRTC and the current CRTC and Competition Bureau. We are hoping for a very independent, knowledgeable tribunal that will have the power to analyze and quickly take action if there is an abuse case by a dominant player.

Right now we face an industry with a dominant duopoly. Wherever we are, there are really only two choices in Canada: Telus and Shaw out west, Bell and Vidéotron out east, and then you have Cogeco somewhere. There's always a duopoly that owns 90% of the market and is very strong.

You will need a tribunal that will really understand the market in depth, and will have the power to quickly act upon requests. Right now there is also the problem of the delay when we make requests. Our hope is to have that type of tribunal in the future.

The Chair: Okay, thank you.

We'll go to Mr. Van Kesteren for five minutes.

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

Thank you, everyone, for coming.

Ms. MacDonald, I like your card. It's a little fish being eaten by a bigger fish that is being eaten by a whole bunch of fish. What does that mean?

Ms. Patricia MacDonald: What it means is that when you're dealing with a large player that can take advantage of low-income consumers, poor people, the poor people can get together and eat the fish.

Mr. Dave Van Kesteren: Okay. Good. I like that.

I hope you don't think I'm unkind, because I'm really not an unkind person, but I'm going to ask all of you some pointed questions.

Who pays you?

I'll start with you, Ms. MacDonald. Who pays you?

Ms. Patricia MacDonald: Who pays me to come here for this committee meeting?

• (1635)

Mr. Dave Van Kesteren: No. Who pays the British Columbia Public Interest Advocacy Centre?

Ms. Patricia MacDonald: Are you familiar with law foundations?

Mr. Dave Van Kesteren: Yes.

Ms. Patricia MacDonald: Okay. Our primary core funding comes from the Law Foundation of B.C., which funds hundreds of organizations across B.C. Another part of our funding comes from participating in hearings for utility, electricity, and telephone matters. We've done very little telephone in the last number of years. Finally, we do get some independent grants—very rarely.

Mr. Dave Van Kesteren: So you see if somebody has a case and then it's handed over to lawyers who challenge it in court. Is that correct?

Ms. Patricia MacDonald: Right. We regularly appear in front of regulatory bodies, most often the B.C. Utilities Commission. If there's a case we want to take on, it has to meet our mandate; it has to be in the public interest. We're focusing on poverty rights and disability rights at the moment.

Mr. Dave Van Kesteren: Ms. Gordon, the same thing.

Ms. Phyllis Gordon: I come from the province that still believes in legal aid. Legal Aid Ontario funds 79 legal clinics, and the ARCH Disability Law Centre is one of the specialty clinics. So 90% to 95% of our budget comes from legal aid. We have a small amount from the City of Toronto that pays half a support person. We collect small amounts. We've had some money from costs at the CRTC, but that goes into supplementing our regulatory work.

Mr. Dave Van Kesteren: I'm not picking on anybody in particular.

Ms. Léger, is it basically the same thing?

Mrs. Sophie Léger: Well, the coalition is all the members who do it. In addition to the time we invest outside our daily managing of the businesses, it's the companies that share the costs we incur.

Mr. Dave Van Kesteren: Again, I'm not being unkind, but I want to know why you're qualified in suggesting that this is a poor direction for the minister to go. What qualifies you to make that statement?

Mrs. Sophie Léger: I can start.

All the members I represent have been in this industry for ten years. We're dealing with over 200,000 end-users in the Internet business. The majority of us are owners of the companies. We want to continue offering quality service to our current and future end-users. So it's our passion for the industry. It's a reflection of what we want to offer our customers.

Right now we know we are losing customers. They don't know where they are going. They're facing penalty charges. When we see our customers going through this and all the personal hiccups of managing business, it is very frustrating.

Mr. Dave Van Kesteren: You are aware that in 1997, when deregulation took place, the prices plummeted. You don't think that we're going to see the same thing happening when we deregulate? You don't think so?

Mrs. Sophie Léger: No, because right now we obviously see the cost and the margins generated with the services, and it is obvious that the incumbents do not generate any profit at the current retail prices.

Mr. Dave Van Kesteren: Thank you.

I have another question. I think I want to direct this to Ms. Gordon.

You were concerned about the fact that by the year 2041, 23% of our citizens will be over 65. Doesn't that stand to reason that in the other direction, since we're going to have more retired people, more people on disability, and more people who have special needs, that services would improve?

Usually when I follow free markets, I find that as the need increases and expand—

The Chair: Okay. We'll get Ms. Gordon to respond.

Mr. Dave Van Kesteren: Am I running out of time?

The Chair: Yes, you are. We'll get Ms. Gordon to answer this.

Ms. Gordon.

Ms. Phyllis Gordon: I think your question is won't the market just follow the aging boomer population?

Mr. Dave Van Kesteren: No, I'm saying that usually, when there's a need somewhere, that companies and industry move towards that need because—

Ms. Phyllis Gordon: It hasn't proved to be the case for disability. It may be that there are many different kinds of disabilities, so one adjustment or one accommodation doesn't fit all.

I'd like to look at a situation slightly outside of telecom. When you use your bank card at an automatic teller, people who are blind regularly ask the person beside them for help and give them their pin number and ask if they'll help them do their banking, because the banking industry just simply has not come across yet. That's the same for phones, and it's the same in the telecommunications industry. Mobile phones, as I said earlier, until extremely recently in Canada had not started to respond at all, and we've deregulated them. So it does not respond.

• (1640)

The Chair: Thank you.

We'll go now to Monsieur Vincent.

[Translation]

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

If I understood what Mr. Van Kesteren said earlier, there will soon be wholesale prices for seniors, since the population is aging.

Mr. Proulx, you said that you were prevented from having access to 500 km of fibre optic cables in Prince Edward Island. Ms. Léger spoke earlier about a duopoly. Since we began hearing witnesses on deregulation, we have noted that two major players will decide who uses their lines or wiring. I think that the fact that you were not given access to the 500 km of fibre optics shows blatantly that you were not selected as a player to compete with them. So we will continue to say that deregulation is necessary, so that everyone can benefit from it.

Ms. MacDonald, a little earlier, you mentioned an amount between \$25 and \$29 for phone service, \$55 for the Internet, and \$79 for cell phone service. It will take some time for us to see competition in the larger centres, even in that price range.

As for people with disabilities, I think the proof is there that people will have no choice but to use the same service. In the health sector, some people with disabilities cannot use the Internet. That could be made possible if a voice-activated system were available, but I do not think we are there yet. We are monitoring development since the start of the hearings. Ms. Léger, you made a very eloquent presentation, and we support your remarks.

That leads me to my question: who will benefit from this deregulation?

Mr. Robert Proulx: We are currently serving 50 communities, and in every case, they are the ones who asked us to come up with a solution to the fact that they did not have broadband access. Everyone has heard Bell's advertisement where the beavers explain how nice it is to have broadband access. However, many communities do not have access to it.

When we go into a community to offer high-speed Internet, we work in partnership with the communities and our principle is to offer service that is no more expensive than in the cities. But in doing so, we run up against the dominant companies, who use the very high costs in regions to subsidize the battles they are waging in the large cities.

For example, the factor is 10 to 1 for the same broadband capacity in a region and in large urban centres. In addition to the fact that citizens no longer have access to the same services when they do not live in densely populated regions, the situation is such that industries and businesses that are increasingly reliant on electronic business move. For the dominant companies, that changes absolutely nothing, since they drop one Bell service for another Bell service, or they remain clients.

We serve rural communities, but we are unable to have fair access to the infrastructure because we are stealing part of the monopoly's market. Deregulation works in large urban centres, but it is untrue to say that it works in rural regions. There are always monopolies, and it is not profitable for other players to enter the market. As soon as we try to do it, they throw a monkey wrench into our plans by refusing to grant us access to the infrastructure and circuits.

So deregulation may work in large urban centres according to the law of the jungle, if I can put it that way, but that is not the case in rural areas. There will continue to be a monopoly, even with deregulation, and companies will require assistance through more comprehensive deregulation.

[English]

Ms. Patricia MacDonald: Briefly, I also agree with the comments from Mr. Proulx. In terms of who would benefit, I would say it would be urban areas. I also believe the middle class would benefit by having more choice. I don't think they're going to see better prices as a result of that choice, but they will have more choice available to them in the urban areas.

• (1645)

Ms. Phyllis Gordon: From our point of view, you'd have to say it's the companies that don't want to provide it, or that it's a bother. It's not that they don't really care about people with disabilities, it's just that we're a tack-on.

There have been 38 decisions at the CRTC dealing with disability. When we've done our litigation there and asked the questions on the interrogatories, the companies have said they do everything the CRTC tells them to do with respect to disability. Literally, that's a quote. They say they have always complied, but, no, they don't have a disability program and they don't have an accessibility program on their own.

So our view is that we must have regulations with respect to accessibility, because nothing will happen. There's a list here of the 38 cases, and this is all in response to the CRTC's regulation.

The Vice-Chair (Hon. Dan McTeague): Ms. Léger, very quickly, because we're over time.

[Translation]

Mrs. Sophie Léger: Deregulation is, nevertheless, necessary, but we believe that if it is done in a disorderly fashion, it will benefit the companies that have market share.

The Vice-Chair (Hon. Dan McTeague): Thank you, Mr. Vincent.

[English]

Mr. Shipley, please.

Mr. Bev Shipley: Thank you, Mr. Chair.

Thank you for coming out. I do have a question I'd like to follow up on with Ms. Léger.

I see you're a chartered accountant, and you're a spokesman for the telecom people, I guess. You say that if there is no more competition, then there's no competition. I'm not sure what you mean by that, because if there isn't competition, then there won't be deregulation. Do you have a comment on that?

Mrs. Sophie Léger: What we're saying is that if the private or the non-dominant players disappear from the market, there will be no more competition. We will remain with the two major or dominant players in a specific region.

When I talk about the duopoly, this is what I mean. It's in a specific region. Competition will totally disappear, and it will be up to the two only remaining players to fix the innovations and prices.

Mr. Bev Shipley: Do you understand the report, what it says, and what the recommendations are then? That isn't what actually happens, I don't believe.

Mrs. Sophie Léger: What we're saying is that their report itself says there should be deregulation to improve competition. If only some parts of the recommendations are implemented, the result that will come from a partial implementation will be a totally opposite effect from what the government is looking for.

Mr. Bev Shipley: We talk about the second phase requiring changes to existing legislation to be implemented. Part of that recommendation is going to be a three-way test. Can you comment on that?

Mrs. Sophie Léger: Right now, we do not think and we don't say that the three technologies.... You can have competition among the three technologies. Wireless and local lines are complementary, but they are not competitive right now. We are not there with the network. We'll wait for the results of the tests, but we don't believe this is the case.

Mr. Bev Shipley: Then the requirement for the deregulation would not be happening.

You actually made a comment about discouraged, disorganized deregulation. I don't know what your terminology for that is.

Mrs. Sophie Léger: What we're saying is that recommendations were made to lead into a very organized regulation. If we take some recommendations only partially and forget some others, we will have some holes.

Mr. Bev Shipley: In fact, in the recommendation it says that it needs to be done in two phases.

Mrs. Sophie Léger: We agree that there are going to be some phases. It's impossible to regulate a market all at once, but there needs to be a full analysis to associate recommendations together, in order to ensure that there are no holes and that we don't miss some recommendations.

Mr. Bev Shipley: Can I go to Ms. Gordon just for a second, please?

Actually, some of the comments you have made are sort of startling. We've been here for just a short period of time, but over all these years under regulation, none of the issues that you've brought up—and they're serious ones—for the disabled have been looked after. That's what you're saying.

• (1650)

Ms. Phyllis Gordon: There have been some that have been looked after, but only subsequent to the CRTC ordering it.

Mr. Bev Shipley: And that's when we're under full regulation. What I'm wondering about is this. When you make these suggestions, who should make the equipment available? I think you talked about other jurisdictions having the equipment. Actually, you made some good comments about the impaired. I'm not too sure what the total definition of "impaired" is, but on this thing here, they're kind of difficult, regardless of what you do.

Ms. Phyllis Gordon: Yes, they're hard now.

Mr. Bev Shipley: At least, I would think so, but who knows.

Ms. Phyllis Gordon: You need a light and bigger print, right?

Mr. Bev Shipley: Yes, and they may be just voice-activated. That's the whole thing about this technology. Certain things are just never going to be big enough visually, so I'm just wondering if there are suggestions that we could look at in other jurisdictions to be able to help us and to assist with the disabled.

Ms. Phyllis Gordon: There is some stuff primarily out of the United States. Since they're our closest partner, I would recommend seriously looking at the Access Board and at setting up an independent agency such as the United States Access Board.

There are also those two statutes that I mentioned, section 225 of the Communications Act of 1934, and section 508 of the Rehabilitation Act of 1973. The American government won't purchase any technology unless it's of high security and isn't accessible. They actually have a procurement policy that has had an enormous influence in the States.

The Chair: Thank you.

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

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

Actually, on that, there's also another protection part in the Americans with Disabilities Act. When you're concluding that remark, maybe you can highlight just how effective it is when government procurement policy actually takes the lead and is part of their public policy.

Ms. Phyllis Gordon: To be frank, I'm not too familiar with the American example, except that I have been to several international telecommunications conferences dealing with accessibility. Bar none, the fellow from Microsoft, the last national director for Microsoft, was saying that the most important thing in the United States has been section 508 of the Rehabilitation Act, in terms of the requirement that the American government only procures, uses, and purchases equipment—and it's not only in telecommunications, because it's broader than telecom—that meets a very high level of standards. The Access Board is the group that's setting up the standards, and they're currently revising those standards. The current standards are book-thick.

Mr. Brian Masse: I want to move on to a topic that hasn't been discussed too much. It was raised, and I'm sorry to whoever did raise. Very importantly, it is net neutrality.

Ms. Léger, you might have been the one who raised it. Net neutrality hasn't been discussed too much in the hearings, but it's probably one of the most important things that is going to happen in the telecommunications industry in the years to come. We've taken the position that the minister has to enforce it and that it has to be part of public policy in Canada.

Maybe I'll offer all witnesses the opportunity to comment on the impacts of net neutrality on the clients that you serve if we don't have that in our country across the board. Whoever wants to start can go right ahead.

Mrs. Sophie Léger: I can start.

Obviously, the neutrality of the Internet has been there since the beginning. This is what helped most of the consumers in researching new information—having access to the information they want when they want, from the source they want, and basing their opinions on multiple sources.

Leaving the power to the owner of the infrastructure to decide which information or which site or which type of information is accessible and which packet comes first then removes this freedom from every single end-user. So what we're saying is that it's very important to protect that.

Mr. Brian Masse: Ms. MacDonald.

Ms. Patricia MacDonald: Just briefly, Telus actually was the Internet provider for the union in a labour dispute. What they did was shut off the union's website. So it's very interesting what can be done by the Internet providers. Whether it's legal or not is another question.

Mr. Brian Masse: It's a great example. And that's one of the things that hasn't been talked about a lot here at the hearings, but it really affects even the whole set of principles by which the Internet is understood in our society. It then basically becomes, depending on what carrier you have, that they're going to allow access to speeds at different sites, or eliminate sites. It affects everything from new services and payments to video on demand and other types of technology. So it really becomes a serious factor in the major operations.

With regard to net neutrality, again, would you argue that the enforcement and overseeing of that...? I didn't mention this in the first round, but does the ombudsman office or consumer rights also

include chapters on net neutrality and protecting consumers on that, so that it's actually enforced?

• (1655)

Ms. Phyllis Gordon: I just have a quick comment.

I like the ombudsman idea for individual complaints, but I'm not certain that the ombudsman idea in the report goes far enough to deal with systemic concerns. I think we still need, from the point of view of social regulation and net neutrality—those kinds of concerns—an oversight body that has power to make orders in a systemic way. It may not be economic regulation, and I think that's what the market forces stuff is, to try to get rid of the economic regulation, but we absolutely need a centralized social regulation body. I would put net neutrality in there perhaps, and not rely only on a complaints-driven ombudsman who has no power to make orders and determine policy.

Mr. Brian Masse: That's a very good point.

Mrs. Sophie Léger: In our view, a very easy way to protect net neutrality is to recognize that the Internet itself is two components: you have a road, and you have what's riding on the road. The road itself, which is the infrastructure, is essential and shouldn't be controlled by anyone. Then it allows the flow of information freely. That's why the argument at the coalition is that it's an essential service. And if you recognize it's essential, it's easy to manage.

Mr. Brian Masse: That's a very good analogy.

Thank you, Mr. Chair.

The Chair: Thank you very much.

We'll go now to Mr. Brison.

Hon. Scott Brison: Thank you.

I have one question. If we view access to essential services as a potential charter issue, what is the impact on your ability to defend the interests of the people you represent or their ability to defend their interests? What is the effect of the cancellation of or the government's decision to end the court challenges program?

Ms. Phyllis Gordon: What's the effect of the court challenges program?

Hon. Scott Brison: Yes, the government's decision to end the court challenges program.

Ms. Phyllis Gordon: Well, it will have a big effect on litigants across the country, both from French-language point of view—

The Chair: Sorry, Mr. Carrie has a point of order.

Mr. Colin Carrie: Is this relevant to what we're talking about?

The Chair: Yes, this is really stretching. We're doing a study on the deregulation of telecommunications.

Hon. Scott Brison: Yes, and the fact is, I believe Ms. Gordon was in the process of explaining that the cancellation of the court challenges program will in fact potentially affect the ability of the people she represents to actually access basic telephone services as an essential service, because their ability to challenge under the charter is predicated by their ability to access legal services, which requires a court challenges program.

The Chair: You're asking how the cancellation of the court challenges program affected the rights of the disabled community in terms of access to telecommunications services.

Hon. Scott Brison: Yes, and I would argue that the need of any disadvantaged community to access basic services requires us when we're creating a regulatory framework to take that into account. If in fact we're not going to have a court challenges program, then in fact we have to be more rigorous than we would be otherwise to ensure that all our society is ensured—

The Chair: All right, thank you.

Ms. Phyllis Gordon: I have a pertinent comment that's not with respect to—

The Chair: Just hold that.

Ms. Gordon, I will let you address the question of whether a court challenges program does or does not affect the rights of the disabled community to access telecommunications services, as long as it's telecommunications.

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Mr. Chair, on a point of order.

• (1700)

The Chair: On a point of order, Mr. Byrne.

Hon. Gerry Byrne: In the infinite reasonableness that you've shown as chair throughout our times together, you will admit that it is Mr. Van Kesteren who did open this line of questioning up, as he did present questions to the witnesses asking them what their source of funding was, who paid for their activities, and how that influenced or affected what they brought forward to this particular committee. So the court challenges program, being a program that enables third parties to bring forward interventions on behalf of their clients and on behalf of public policy.... It is you, Mr. Chair, who allowed that line of questioning, so I'm sure that our dear colleagues here, sitting on both sides—

Hon. Scott Brison: Don't call me "dear".

Hon. Gerry Byrne: I'll call you "dear" if you're expensive; "dear" is a term for expensive.

The Chair: Members, order.

I'll make a ruling and then I'll allow Ms. Gordon to answer.

First of all, I like being called "infinitely reasonable".

Second, we are doing a deregulation of the telecommunications sector, and with respect to questioning witnesses on whatever organizations or individuals or companies they represent, I allow that from all sides. In fact, I believe Mr. McTeague has posed questions like that in the past. Those questions, in my view, are entirely legitimate because they are within the scope of the study that we are doing on the deregulation of telecommunications. If people are here representing telecommunications companies, sectors, interest

groups, consumer groups, members have a right to ask that. So I don't see that as the same point of order. But, with respect, I am actually allowing the question, so when you have a victory you might want to proceed with the victory.

I'm going to allow Ms. Gordon to answer the question that was posed.

Ms. Phyllis Gordon: Thank you.

The loss of the court challenges program has had an impact on people with disabilities and other disadvantaged groups across the country in many different fora, but of concern for your hearings is that currently at the CRTC the public interest nature of groups like ours and Ms. MacDonald's—I'm not sure if you're a consumer group or not—is that we can litigate at the CRTC because of the cost awards that the CRTC provides. That is a very important aspect of the current system that we fear would be lost entirely if the deregulation goes through holus-bolus.

We work with a very experienced telecommunications lawyer who gives us lots of time pro bono. We get this little bit of cost and we hand it back to him and it helps tremendously. That's what's keeping the public interest at the CRTC. It's those costs awards.

The Chair: Thank you, Ms. Gordon.

I have Mr. McTeague. You have three minutes.

Hon. Dan McTeague: If I could, Ms. MacDonald, I'll come back to your presentation here earlier. It is a false assumption that the presence of competition equals competition. Here you're referring to the competitor presence test, I take it, that has been established. Is that what you're referring to?

Ms. Patricia MacDonald: No, I wouldn't take it that far. That's just the way I happened to write it, as it appealed to me that way.

I am familiar with the competitor presence test. I made submissions that I didn't believe that it was an appropriate test; but be that as it may, it was the test that the CRTC has chosen, and now, as you know, that has changed rather dramatically since then.

Hon. Dan McTeague: Are you comfortable with that test now being the prevalent test that the Competition Bureau will use, save and except for the fact there's been no significant, or any, market analysis done prior to embarking on this deregulation? Are you comfortable that merely identifying yourself as a competitor may be sufficient as a minimum standard for showing competition in a given market?

Ms. Patricia MacDonald: No, I'm not, but that's based upon my understanding of what the costs are for those particular services. So the competition, as I mentioned, was Shaw in B.C. and then the telephones. The costs simply aren't comparable, but the services aren't comparable either.

Hon. Dan McTeague: Let me ask you, then, about the potential now for large win-back schemes. You talked about the \$120 to break your service contract through Telus, as an example. If I'm a company that's well endowed—I may be a cable company or a telephone company—and I use my ability knowing full well that the smaller competitor, such as Mr. Proulx next to you, finds himself at some disadvantage, and I know the names of these customers, how likely is it that we're going to be able to maintain a semblance of competition without these first fragile moves being protected, as was done in the era of long distance? How likely is it that these win-back programs are going to benefit everybody?

The ministry presented the argument that these win-back programs, among other things, were going to be a boon to consumers. We've been assured by advocates of that position who have said "Well, you know, if I have a deal from one particular company to win back my services, they're going to tell everybody on the street". In fact, we've heard that it can be the contrary.

Do you think win-backs are a good thing to enhance the competitive process in lieu of using the existing framework to develop sufficient time to create competition in the local telephone market?

• (1705)

Ms. Patricia MacDonald: Yes, I think Michael Janigan at the Public Interest Advocacy Centre, who has testified here, would be more appropriate to answer that question, because he's done so much work in the area.

But I think it always comes back to what the alternatives are for the customers. If you get a deal—let's say Shaw provides you with this deal this month—then if there is no competition, once the competition is removed the deal is removed. Your deal lasts only for as long as that particular two- or three-year time period. And what has happened to the state of competition while you've been protected from prices? That kind of competition you're certainly not going to see in the rural areas.

The Chair: Thank you, Mr. McTeague.

I just want to clarify something for members. Mr. Vincent informed me, and we've checked, that the votes on the budget are actually at 5:30. The bells will start ringing at 5:15, so we have less than ten minutes.

I'll go now to Mr. Arthur.

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

Mrs. MacDonald, you had me shocked, as you had Mr. Masse shocked, with the \$120 penalty from Telus to customers who cancelled their Internet service. At the end of the answer you came up with \$400, and that I didn't quite get how horrified I should be. What was it?

Ms. Patricia MacDonald: What some companies are doing as an incentive to sign on with them is giving you a free gift. For example, the promotion that Telus has right now is that you'll get a free camera if you sign up for a three-year deal. If you cancel within the three years, you'll be subject to the \$120 penalty, plus you'll have to pay back \$400 for the free camera.

Mr. André Arthur: That was before deregulation, I think.

Ms. Patricia MacDonald: Well, this is Internet service, and Internet service isn't regulated at all.

Mr. André Arthur: Even if it's made a part of a package that includes telephone?

Ms. Patricia MacDonald: Well, actually, no. Internet service is not regulated. Your local telephone is regulated. The terms are separate.

Mr. André Arthur: And you also told us that the phone service might be disconnected if people wouldn't pay their \$120.

Ms. Patricia MacDonald: That is something that I am concerned about in deregulation. Currently, under regulation, none of the monopoly companies can threaten to cut off your local telephone if you have unpaid long distance, for example. So currently, they could not. Under deregulation, there is a possibility that they could.

Mr. André Arthur: You're afraid of that?

Ms. Patricia MacDonald: Yes, I'm afraid of that.

Mr. André Arthur: Okay. It's always good to be afraid. It keeps you on your toes.

[Translation]

Ms. Léger, what services to the public do members of your coalition provide that telecommunications or cable companies are not providing? What value do your members add to the common good or Canadian society?

Mrs. Sophie Léger: Naturally, in terms of value-added, I can mention that customer service is very close to the clientele. All of the members of the coalition that I represent have agents who answer questions quickly when they are called. So customer service is an aspect that makes a major difference. Moreover, we are offering an alternative, since the majority of us resell the infrastructure owners' services. A customer who calls one of the members of the coalition may be offered cable or high-speed service from a telephone company, along with the services of a third party or a VOIP service provider.

We listen to the customer and we tell him, if that is the case, that cable is faster in his region. In fact, we know that there are disparities depending on where someone lives, even in urban areas. Sometimes, ADSL may be faster or more reliable than cable, or the opposite. We are able to offer our clients the best service, because for us, offering one or the other is all the same. So we are able to offer a package objectively.

Mr. André Arthur: Are you saying that the telecommunications and cable companies would charge you the same amount to provide you with their services? Would the Videotron and Bell fee structures be the same for residential services?

• (1710)

Mrs. Sophie Léger: It depends on the service that we are using. Today, the cable and Bell wholesale rates are similar.

Mr. André Arthur: They are never the same.

Mrs. Sophie Léger: They are similar. Let's say that they are pretty close.

Mr. André Arthur: Can you tell me the difference between similar costs and costs that are the same?

Mrs. Sophie Léger: They are the same if I pay \$19 per month per client to either Bell or Videotron.

Mr. André Arthur: But that is not the case.

Mrs. Sophie Léger: There is a fee structure. The cost varies from \$19 to \$21, according to the number of subscribers we have with the company. A dollar a month per customer is not that important to us, if it means that we will keep a subscriber. We would rather meet the needs of our clientele, even if it costs us a dollar more per month to do so.

Mr. André Arthur: So, you may actually take a loss in providing me with the service.

Mrs. Sophie Léger: Of course.

Mr. André Arthur: Does that happen very often?

Mrs. Sophie Léger: It does.

Mr. André Arthur: And that is a current practice in your company?

Mrs. Sophie Léger: Indeed. We are responsive to the needs of our customers because an unhappy customer will vote with his wallet: we have competition. Our subscribers are loyal because they are happy with the service that we provide.

[English]

The Chair: Okay, we have about two minutes, and Mr. McTeague is up next.

Mr. McTeague, you have two minutes.

[Translation]

Hon. Dan McTeague: My question is probably for Ms. MacDonald or Ms. Léger.

[English]

If the government, in your view, or in my view, is determined not to use what we referred to in the original decision as a bright-light market share test, which was alluded to a little earlier, in my view, it should be using the Competition Bureau's test in terms of the kinds of criteria that are linked to the finding under subsection 34(2). I won't get into that.

Do you believe that we should be moving toward the kinds of criteria that would support a conclusion that sufficient competition should exist before deregulation? That's a very pointed question. If we're not going to use what the CRTC has proposed, what the TPR has proposed, then we should at least fall back, in the absence of a Bill C-41, which has been proposed by the government, on the particular criteria that require, above all other matters, that sufficient competition exist under subsection 34(2). Do you believe that we should be following that, or that the government ought to be following that, as a minimum test?

Mrs. Sophie Léger: It should be a minimum test, because right now, what we're saying.... And it depends on what you mean by

competition. For us, competition is actual service that you can use. For Internet access, you can use cable or high speed in one home. In telephony, it's very different. I wouldn't compare cellular phones with a traditional phone line, simply because, in my own home, even if I live in an urban area, my cell phone doesn't reach my home. You have to be careful about what is considered competition, and yes, the test should be done.

Ms. Patricia MacDonald: I have nothing to add to Ms. Léger's comments.

The Chair: Okay.

Mr. Carrie, you had a brief question.

Mr. Colin Carrie: I have a quick question for Madame Léger.

Which companies do your members usually deal with in terms of getting access to the Internet networks? I know Monsieur Arthur started on this a bit, but who do they usually use?

Mrs. Sophie Léger: Do you mean the infrastructure owner?

Mr. Colin Carrie: Yes.

Mrs. Sophie Léger: We use Bell and Vidéotron for the high-speed services.

Mr. Colin Carrie: So you use both, like an ILEC and a cable company?

Mrs. Sophie Léger: Yes.

Mr. Colin Carrie: In what percentage, would you say?

Mrs. Sophie Léger: It varies by member. Some of the members still have a lot of dial-up that is their own infrastructure. For high-speed services, the majority of our current users are on Bell because Bell has been offering on a wholesale basis for the past five years now, while Vidéotron just finally decided to offer and to roll out the PIA a couple of months ago.

Mr. Colin Carrie: So it's mostly the ILEC that you say?

Mrs. Sophie Léger: Yes.

Mr. Colin Carrie: And it's because Vidéotron and Rogers—

Mrs. Sophie Léger: And Cogeco, obviously in some regions—

Mr. Colin Carrie: And the cable companies are usually more expensive for you, are they?

Mrs. Sophie Léger: The prices are comparable, very similar, as I answered to Mr. Arthur.

Mr. Colin Carrie: Okay, thanks.

The Chair: Okay, thank you very much, members.

Thank you to all the witnesses for being with us here today and for presenting their thoughts.

If there's anything further that you want the committee to consider, please feel free to submit it to me or the clerk.

I will declare this meeting adjourned.

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