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Mr. James Rajotte

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• (1535)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is the 45th meeting of the Standing Committee on Industry, Science and Technology, and as per the orders of the day, we have with us the Minister of Industry, the Honourable Maxime Bernier. He is here to discuss, pursuant to Standing Order 108(2), our study with respect to the deregulation of the telecommunications sector.

Welcome again, Minister, to the committee.

We'd also like to welcome two officials from the Department of Industry. First of all, we have Mr. Richard Dicerni, the deputy minister. Welcome, Mr. Dicerni.

We also have with us Mr. Ron Parker, visiting senior assistant deputy minister from the Department of Industry.

Minister, as you know, we've been studying this issue for a couple of weeks, and we look forward to your comments. You have at least a 10-minute opening statement, if not a few minutes more. We look forward to your comments and then we'll go immediately to questions from members.

Welcome.

Hon. Maxime Bernier (Minister of Industry): Thank you, Chair, and thank you, everybody. I'm very pleased to be here today.

[Translation]

I'm very happy to have this opportunity to speak with Committee members today.

[English]

This committee's work is very important, and I'm following your study closely. I have read with great interest the testimony of some of the witnesses who appeared before you last week and the week before. As always, it is a pleasure for me to be able to speak to you today.

As you know, the telecommunications sector plays a critical role in Canada's economy. Over the next two hours I want to take some time to describe the decisions I have made and the reforms we have proposed to date to modernize the dynamic telecommunications sector.

Upon being appointed Minister of Industry, I moved quickly to set priorities. I strongly believe that opening the telecom sector to decreased regulation will increase competition, increase our national

competitiveness and productivity, and, most importantly, it will be a great benefit to Canadian consumers.

It was obvious that modernizing the policy and regulations that guide the telecommunications sector had to be a priority for our government. In April 2005, the government appointed the Telecommunications Policy Review Panel to study the policy and regulatory framework governing this industry. They were mandated to analyze the telecom sector and to make recommendations that will help transform the industry and turn Canada into a strong, internationally competitive player, all for the benefit of Canadian consumers.

A fundamental finding of the panel was that competition in telecom has evolved to the point where market forces can be relied upon, and they concluded that the need for regulation in certain markets should no longer be presumed. Giving due consideration to the panel's finding and 127 recommendations, the government is pursuing a course of policy and regulatory modernization in the area of telecommunications.

[Translation]

As you know, the concept of greater reliance on market forces is in keeping with the government's overall objectives of improving competitiveness and productivity in the Canadian economy; it is also consistent with the government's vision for a stronger, more prosperous country, as outlined by my colleague, the Minister of Finance, in the document entitled *Advantage Canada*.

Last June, I tabled a policy direction in Parliament instructing the CRTC to rely on market forces to the greatest extent possible and to regulate only when necessary. This was followed by our decision concerning Voice over Internet Protocol, commonly known as VoIP.

Stating the need for greater reliance on market forces, the CRTC was asked to forbear from the economic regulation of access independent Voice over Internet Protocol (VoIP) services offered by traditional telephone companies.

In the best interests of Canadian consumers, in December, the government proposed to amend the CRTC's decision to forbear from regulating local telephone services.

[English]

In its ruling, the CRTC laid out its criteria for determining when it will refrain from regulating retail local telephone service on the basis of a market share test. However, the CRTC is still inhibiting competition beyond what is necessary, as it may take up to two years under the CRTC plan before deregulation comes to major urban centres. In the meantime, consumers are deprived of the benefits of competition.

The government is proposing to replace the CRTC's market share test with one that emphasizes the presence of competitive infrastructure. In markets where consumers have access to telephone services from a traditional telephone service, a cable company, and at least one non-related wireless provider, deregulation can occur. Under this test, service providers will no longer need CRTC approval to set their prices for residential services in markets where there are at least three facilities-based telecommunications service providers owned by three non-affiliated companies.

In a competitive market, consumers, not a government agency, should determine the prices they pay for telephone services. In a competitive market, there is no reason to regulate some companies while allowing others to offer the services they want at the prices they want.

In addition to leaving in place existing safeguards that protect consumers, such as a price cap for stand-alone residential service and continued price regulation in regions where there's little competition, we are proposing to amend the Competition Act. In December, I tabled in Parliament Bill C-41, An Act to amend the Competition Act. This bill will establish financial consequences for companies that engage in anti-competitive behaviour in deregulated telecom markets. This measure will aid in the reduction of unnecessary regulation and act as an effective deterrent to prevent anti-competitive behaviour and, where necessary, help to rectify such behaviour.

• (1540)

[Translation]

Let me just say, once again, how pleased I am with your work. I very much hope to take a closer look at the comments made as part of today's discussions. However, as you heard from Hank Invent, the Telecommunications Policy Review Panel stressed the need for timely action by the government in terms of deregulating the telecommunications industry, where necessary. Why is that?

Well, the telecom industry is driven by innovation and high technology. As well, the landscape changes rapidly, and the government has to be responsive to the pace of this industry.

[English]

We should remember that the CRTC had already initiated a review of its frameworks surrounding mandated access to wholesale services, something addressed by the policy direction. As well, all statutory requirements under the Telecommunications Act were completed and extensive consultations have taken place.

Moving forward with this direction provides an intended course of telecommunication policy in Canada to the market, to the CRTC, and to the world. The reforms we have introduced will benefit Canadian

consumers, providing them with even more choice of better products and services.

Thank you, and I'm very pleased to be here with you. I am now ready, with my officials—Deputy Minister Richard Dicerni and Ron Parker—to answer your questions.

The Chair: Thank you very much for that opening statement, Minister. I understand that you are here until 5:30 p.m. today, so we thank you for your time.

We will start immediately with questions, and I'll just remind members that this is for discussion. We should always keep our questions very respectful, and also allow the minister and his officials time to answer.

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

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

[Translation]

We are very pleased to welcome you and your officials to the Committee today, Minister. We believe that you were to give us some time. In fact, according to our calendar, we were to carry out a telecommunications study starting in mid-October. We were therefore rather surprised when you made your announcement.

Like you, I am very interested in the report released by the Telecommunications Policy Review Panel. You said at the outset that it contained 127 recommendations. Could you explain why half of them are not even mentioned?

Hon. Maxime Bernier: Thank you for that question.

To begin with, I would like to explain the government's general position on telecommunications.

As you know, the government issued a policy direction to the CRTC on December 14, pursuant to Section 8 of the Telecommunications Act.

These policy directions set out, for the benefit of the CRTC, the market and the general public, the overall orientation that the government intends to follow as regard Canada's telecommunications policy. It establishes a regulatory framework for the CRTC, more specifically, as a means of implementing our vision, which was the inspiration behind the policy direction issued last December. I should also say that last March, as you pointed out, we received the report of an expert panel containing 127 recommendations. These experts criss-crossed the country for a year and listened to what Canadians had to say. They also called on international experts. They released their report in March 2006. One of their recommendations was to issue a policy direction to the CRTC asking it to rely on regulations as little as possible where market forces are present and where there is competition. That is exactly what we did. Following that, there was a lot of discussion as the review panel went across Canada.

We are proud to have issued that policy direction. It is in keeping with the objectives of the Telecommunications Act. It asks the CRTC to consider market forces when drafting regulations, in addition to concerning itself with social regulation.

• (1545)

Hon. Dan McTeague: Thank you, Minister.

[*English*]

I wanted to point something out to you from page 2-14 of the TPRP panel report. Under "Consistent Application of Policy" there is a recommendation that Mr. Intven, whom you cited a little earlier, was party to:

Canada's telecommunications policy objectives should be implemented in a coherent and consistent manner by all such departments and agencies. These policy objectives should therefore apply not only to the CRTC in the performance of its duties under the *Telecommunications Act*, but also to the Minister of Industry in the implementation of telecommunications policies and programs.

Minister, we're very concerned that you've cherry-picked half of the recommendations from what was an excellent report. We agree with you on the objectives. We believe it's the right direction to take. But we believe that the way you've gone about it is absolutely wrong. It's wrong because you've taken out some of the important safeguards that were recommended by this blue ribbon panel. I'll cite a few of them.

The removal of something that is extremely critical was the establishment of an understanding of significant market shares as they exist today. No OECD country has ever proceeded with deregulation before having that kind of an analysis. You, sir, have done that.

Second, there is a recommendation here for a telecom competition tribunal, a quasi-hybrid between the Competition Bureau and the expertise of the CRTC. That has been thrown away in favour of something you refer to as a competitor presence test, which isn't even understood by the Competition Bureau. It probably is, but that low threshold almost guarantees that if I open up an apple shack and decide to call it "Dan's Telecom", chances are it's going to constitute, in your view, some kind of competition.

The other one that's missing is CRTC's expertise and of course the concern about no consumer ombudsman.

Minister, I'm looking at many of the recommendations here, and they make sense. They must be done as the commission, as the panellists, have suggested: in a holistic way, in a comprehensive way. You cannot possibly state, as you have done now, that what you have proposed is faithful to what has been suggested by this blue ribbon panel, which both sides of this table agree with.

[*Translation*]

Hon. Maxime Bernier: I do not share your views with respect to the comprehensiveness of this reform.

We have taken concrete action. There is competition in certain markets, and it is now time to deregulate those markets. The CRTC itself, using its market share test, admitted last fall that it wanted to review that test because it has realized that based on new data, there is very strong competition in certain urban centres. By using a test based on competitive infrastructure, we will ensure that where there is competition, there will also be deregulation that benefits consumers.

It is important to say that we are currently studying all of the panel's other recommendations and that, following that review, we will act on the other recommendations at the appropriate time.

I agree with you: many of the panel's other recommendations are of interest. We are in the process of reviewing them. So far, we have issued one policy direction to the CRTC — it was one of the recommendations deemed by the panel to be a priority. We brought that forward. We also tabled Bill C-41, an Act to amend the Competition Act, which will provide for consumer protection.

Our vision is a comprehensive one, because if telecommunications carriers or former monopolies adopt behaviour that is not in keeping with the Competition Act, as you know, financial penalties can be imposed. The Competition Bureau and the Competition Tribunal will have the power to impose fines of up to \$15 million. We believe this will act as a deterrent and result in competition which is as harmonious as possible in deregulated areas. That is a power that the Bureau already had when we deregulated the airline industry, and it is a power that the Competition Bureau was asking for.

So, we are acting on several different fronts. We are taking action through the policy direction given to the CRTC, on the forbearance decision, and we are also acting to protect consumers.

• (1550)

[*English*]

The Chair: Thank you very much, Minister.

I'll go to Monsieur Crête.

[*Translation*]

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

Minister, there is just one problem: in working with the review panel, you have treated it as though it is the board of directors of a company, when you are in fact a minister of a government. Furthermore, announcing the policy direction and the consultations on December 14, during the holiday period, left the impression that the whole thing was a sham and not particularly serious.

Fortunately, comments by consumers and small Internet service suppliers led to Committee's current round of hearings. The Committee passed a motion, and is holding hearings; as a result, the consultations that did not occur are taking place now, and I am very pleased about that. In fact, the testimony we have heard thus far clearly shows that there was much to be said. And we still have many witnesses to hear from.

Today, you talked about a competition test. But I have a test for you: are you prepared to change your policy direction based on the feedback we receive? I will give you a couple of examples, although I'm not asking for a definite answer today: for example, including a sunset clause that would limit the period of time during which the policy direction would apply; also, small cable companies and Internet service providers made it clear to us that they haven't had an opportunity to take advantage of what the CRTC had provided for, which was up to 25 per cent. Because of your policy direction, they automatically became subject to competition overnight and they may well disappear from the market entirely in very short order. The report also recommended that there be an ombudsman, to keep an eye on things.

So, are you in fact prepared to amend your policy direction, so that if we quickly submit comments on this, you will be able to make an enlightened government decision that reflects the Committee's views, and we will be able to carry out our future work on all deregulation, knowing that you may listen to what we have to say?

Hon. Maxime Bernier: Thank you.

You referred to two issues. The first is the policy direction to the CRTC last December asking it to rely as little as possible on regulation and as much as possible on market forces. The history of that is quite simple: the Committee held consultations for a year and made that recommendation. We looked at it and brought it forward.

The other part of your question has to do with the forbearance decision with respect to local telephone service. All industry stakeholders and consumers had an opportunity to appear before the CRTC and present their views before it announced that decision a year ago. So, there was considerable consultation at that stage.

Also, as you well know, we issued a draft policy direction last December, which was followed by a 30-day consultation period. I can confirm that that consultation process was a success because, over a 30-day period, we received 175 briefs...

Mr. Paul Crête: Those were private consultations, Minister.

Hon. Maxime Bernier: Yes, that's correct, but it's important to point out that we did receive 175 briefs during that 30-day consultation period. On the subject of the policy direction to the CRTC, we only received 71 briefs over a two-month period of consultations. Furthermore, the two Houses of Parliament spent 40 days reviewing that policy direction.

The 30-day period was therefore extremely useful, since many Canadians had a chance to express their views. People expressed their views through the 175 briefs or submissions that we received from various groups. As well, I noted that what you are hearing today and what you heard last week clearly reflect what people told Industry Canada.

Mr. Paul Crête: As well, Mr. Minister, are you prepared to consider draft amendments to your policy direction—for example, with respect to small cable operators?

If the Committee drafts a letter or unanimous report and you get it before making your decision at the government level, would you be open to the idea of amending the policy direction accordingly or will you continue to simply bulldoze your way through this?

• (1555)

Hon. Maxime Bernier: No, I can tell you both our consultations and those held during that 30-day period were very helpful to the government. It is quite probable, I guess, that technical amendments will have to be made to that policy direction. So, I am quite prepared, if the Committee would like to send me a letter in the next few days, as you have just said, with...

Mr. Paul Crête: But what is your timeline, realistically speaking?

Hon. Maxime Bernier: Well, as soon as possible because, as you know, April 6 is the date on which the government has to make a final decision.

So, I would be very pleased to look at such a letter following your consultations and the ones we have already held, if you do have any worthwhile amendments to recommend to the government. I would be very pleased to look at such a letter, just as we are currently reviewing the recommendations that have been made.

Mr. Paul Crête: Are you prepared to consider my two suggestions in relation to the examples I gave—namely, small cable operators, small Internet service providers, and the sunset clause?

Hon. Maxime Bernier: Let's talk about the sunset clause. As you know, deregulation will only occur in markets where there is competition. We believe this will benefit not only consumers, but all other industry sectors, and that it will result in better prices and lower service costs.

As regards small cable operators, you raise an important point. I believe you were saying that the CRTC gave cable operators, like Rogers, Vidéotron or Shaw, a certain amount of time for the 25 per cent market share to be attained. Thus they were able to capture part of the client base. What you are saying is that small cable operators who do not yet provide cable telephone service will not have the benefit of that same timeframe. That is something that should be considered.

We will be pleased to look at any suggestion or recommendation you may have.

Mr. Paul Crête: That's great.

Next, let's talk about a review of the telecommunications policy. Has everyone reached the conclusion that we need to change the way we do things? Once we have submitted our comments on local telephone service, can you give us assurances that you will wait to see those comments and propose real changes to the Telecommunications Act, so that we stop doing things piecemeal, thereby causing a lot of uncertainty both for users and businesses operating in that market?

At the present time, only the large companies feel secure.

[*English*]

The Chair: Okay, Minister.

[*Translation*]

Hon. Maxime Bernier: Thank you, Mr. Crête.

Last week, or two weeks ago, I sent a letter to the Chair of this Committee asking that it carry out a more in-depth analysis of the 127 recommendations. So, I do indeed want to hear the Committee's suggestions so that, when the time comes to make a decision or make a recommendation to my Cabinet colleagues regarding the Telecommunications Act or a comprehensive review of that Act, I will have a full understanding of all the different perspectives on this issue.

So, I would like the Committee to continue its study and issue a report. When that report is issued, I will look at it, just as I've looked at all the other submissions I've received, with a view to pursuing the reform of the telecommunications industry.

[*English*]

The Chair: Thank you.

We'll go now to Mr. Carrie for six minutes.

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

Thank you very much, Mr. Minister, for being here. It's wonderful to have you here in person to clarify the government's direction in this very important sector.

As you know, I come from Oshawa. In Oshawa we're very competitive. We have the auto industry; we have a great hockey town; and I have to tell you, with the services we have now in the telecommunications sector, we have wonderful competition. I've got to tell you that when I go back home and talk to my friends, a great many of them are no longer with the former monopolies. I just wanted to know your opinion.

I like this idea of the competition. Are these win-back restrictions widespread in other countries or is Canada alone in imposing them on these incumbents? I think we want to see this open up to have better benefits for the local consumers.

Hon. Maxime Bernier: It's a very good question.

Concerning the win-back, I want to let you know that Canada and the U.S. are perhaps the only jurisdictions to have this kind of restriction on their telecommunications industry.

What win-back means is that you don't permit the former monopoly to communicate with the customer—they must wait 90 days—after losing a client.

The telecom panel, in one of their recommendations on win-back, said that making offers and counter-offers to the same customer is the very essence of competition, and that win-back campaigns should not be restricted by a regulator.

We want to follow this recommendation. I think it's a very good one.

• (1600)

[*Translation*]

Why is it a good recommendation? Because it allows consumers to receive information about the products and services available in the market and because information is what consumers base their decisions on. Well-informed consumers will know about all the products that are available in the market and will be able to make a better choice.

We believe that restrictions should be eliminated as quickly as possible to allow for more dynamic and intense competition here in Canada. It is also important to note that winback rules are in place in both Canada and the United States. In the U.S., only a couple of states have regulatory standards—specifically, Florida, Georgia, Louisiana, North Carolina and South Carolina. It should also be noted that they restrict the right to make counter-offers to a seven-day or fourteen-day period only, not 30 the way it is here in Canada.

We conducted a study that indicated that most of the larger states—31 out of 38—have no such restrictions in the telecommunications industry. In my opinion, the time has come for us to drop this kind of restriction here in Canada, because they do not benefit consumers. In that regard, I would like to quote the Federal Communications Commission.

[*English*]

It's the American CRTC.

They said, in a decision:

Winback restrictions may deprive customers of the benefits of a competitive market. Winback facilitates direct competition on price and other terms, for example, by encouraging carriers to "out bid" each other for a customer's business, enabling the customer to select the carrier that best suits the customer's needs.

It's very clear, for the regulator in the States, that the win-back restriction is a kind of restriction that is against competition. We don't need that kind of restriction to ensure that we have all the information and good competition here in Canada.

Mr. Colin Carrie: Thank you very much, Mr. Minister.

One of the things we've heard, too, is about the forbearance decision. We hear the number 25%. It seems the witnesses couldn't quite agree whether this was a good or a bad thing. They weren't quite sure whether 25% was the way to go.

You've proposed a different idea, a different test. I was wondering if you could, in front of the committee, explain your test—the three-three test—and what you would like to see in that regard.

[Translation]

Hon. Maxime Bernier: The test we have applied is one that the CRTC has already used in a previous decision, namely Decision No. 9937434. The CRTC applied a competitive infrastructure test in making its decision in that particular case. That test is also used in other states in North America: Arkansas, Kansas, Missouri, Texas and Utah. Those American states all applied this kind of test to the telecommunications industry before deciding on deregulation. Even Hong Kong applies that kind of test.

Why did we use a competitive infrastructure test rather than one based on market share? Well, because it is a non-arbitrary, simple test that allows deregulation to occur as quickly as possible and also ensures that consumers will benefit from the best prices as quickly as possible. It is a test that has the advantage of being easily applicable here in Canada. As a result, we can see that if we apply the test to the larger urban centres in Canada, most of them will be deregulated and there will be competition. It is contrary to the 25 per cent market share test that the CRTC said it was in the process of reviewing last fall, because it had realized that there was competition. So, there is no longer any need to review the test, because we have suggested that the CRTC apply a different test; also, it is a test that is somewhat more arbitrary and longer to administer, when we believe that consumers should receive the benefits of deregulation as quickly as possible.

•(1605)

[English]

The Chair: Thank you, Mr. Carrie.

We'll go now to Mr. Angus.

Mr. Charlie Angus (Timmins—James Bay, NDP): Thank you.

[Translation]

Minister, I want to thank you for being here today.

I represent people from the Far North. They live in very isolated rural areas. As a result, telecommunications issues are very important for the new economy in the North.

[English]

I want to begin by speaking to the issue of broadband penetration, because our ability to compete in isolated regions is very much tied to cellphone and broadband coverage. I'm looking to the experience of the U.S., where they did rapid deregulation and they have some of the poorest rural broadband penetration in the OECD right now. I'm wondering what steps you will take to make sure our regions across the northern parts of Canada will be able to maintain strong broadband, because it has come through CRTC directives, and whether or not you will ensure that section 7 of the Telecommunications Act will remain strong so that we can guarantee the safeguards for Canadians to have access to these services.

Hon. Maxime Bernier: Thanks for the question.

[Translation]

I believe telecommunications services in remote areas are extremely important in Canada. That is why, as you know, new, very advanced applications are able to provide what the Internet provides: tele-health, tele-learning, delivery of government services,

and e-business. All those services require access to broadband. The rural areas need to be well served.

So, it is important to improve Internet access for First Nations and rural communities in Canada. The idea is not to deploy broadband service in remote communities. The idea is to provide health and educational services and enhance economic opportunities because, as you know, broadband service makes all of that possible in these communities.

At the present time, our government has taken a number of initiatives to allow rural areas to benefit from broadband service. As you know, we have implemented a broadband service pilot project. The focus was rural development. This began a few years ago with the aim of helping communities that don't have access to broadband service and allowing the private sector to play a complementary role.

Although this is a pilot project that was only developed recently, the government has also set up additional programs. Government organizations launched the National Satellite Initiative so that satellite use in communities in the Mid- and Far North, as well as remote areas of Canada, would be affordable for broadband service providers.

Among the other initiatives we have taken, I would just like to mention the Canada Strategic Infrastructure Fund and the Municipal Rural Infrastructure Fund. Those funds provide funding to eligible broadband service project developers.

We want rural communities to have the benefit of quality broadband services and access to the Internet at an affordable price. That's why we are reviewing all possible options in order to ensure that the Government of Canada can continue to play its role, as part of the effort to bring these services to Canadian communities that currently do not have access to broadband services.

[English]

Mr. Charlie Angus: Thank you.

I'd like to ask you a bit about your position on net neutrality because it's getting a lot of media attention right now. There's speculation that the government is looking to maybe change how net neutrality is looked at. I'm concerned about it because we talk about consumer protection, but are there moves afoot? Do you see a role for government allowing cable providers to set up what they would consider a two-tier Internet, or are we going to maintain very clear rules on net neutrality?

•(1610)

[Translation]

Hon. Maxime Bernier: Thank you very much. Internet neutrality is an important question and an issue for both Internet users and all Canadians.

A free market has served the Internet well, which is not regulated, as you know. Through the free play of market forces, innovation has allowed Canadians to take advantage of the Internet. At the present time, we want to ensure that consumers have access to the Internet and the market is competitive. We are currently reviewing possible regulation of the Internet infrastructure. If memory serves me, that is one of the recommendations made by the expert panel with respect to network neutrality. I am quite familiar with the concerns expressed by both industry players and Canadians with respect to that decision.

What will the government's position be on network neutrality? It would be premature to tell you what recommendation I will be making on that. The Internet is evolving very rapidly. There is a need to be cautious before introducing regulations. As is the case for other aspects of the Internet, I do not want to adversely affect innovation but would like to continue to look closely at this and, if there is a need, take action at the appropriate time.

[English]

The Chair: This is the last question.

Mr. Charlie Angus: Over the last year you've certainly established a reputation of someone willing to, some might say, run roughshod over the CRTC. You've overridden the voice-over-Internet protocol, you sent a directive to the CRTC on how you see they should be interpreting decisions, and you've introduced a bill replacing the CRTC's proactive power to determine if the large phone companies are anti-competitive. There have been consumers who have raised concerns about this. I'd like to get a sense of how you see your role with the CRTC.

Is the CRTC, with its quasi-judicial process, something that is at arm's length, or is it under you as the minister?

Hon. Maxime Bernier: I can assure you that for us the role of the CRTC is important in the telecom sector. They still have a role. They're still doing social regulation in the telecom sector, and also economic regulation.

As I said, deregulation will occur only in places where the test of three is met, only when you have a competitive infrastructure, but for the remote and rural regions, it will be business as usual. The economic regulations will be there, and the CRTC will be there.

I think what we're doing as a new government is using the power we have under section 8 of the Telecommunications Act to issue a policy directive to the CRTC. We use section 8, and it's in line with the Telecommunications Act and with our mandate as a government.

Also, varying a decision from the CRTC is a power we have under the act. Section 12 gives the government the power to vary or send back a decision to the CRTC. What we did in the last couple of months was just using the power we have. It's different; we're not a regulator. We're setting policy direction for the CRTC. They are the experts. They are the regulator that will apply the three tests, and they're going to be there to regulate when necessary.

I believe the CRTC still has a role in the telecommunications industry, and it's an important role.

The Chair: Thank you.

We'll go to Mr. McTeague.

Hon. Dan McTeague: Chair, thank you.

Minister, I want to come back to the earlier questions that I didn't get an answer to. In the meantime, you've raised a number of very interesting points, particularly with respect to wireless win-back, Bill C-41, and airlines.

Minister, when you last appeared before this committee on June 6, 2006, you stated categorically to my question that you didn't see any need to change the Competition Act. I'm glad to see you now see that, although I suggest the reason you're doing it has a lot to do with piggybacking on the issue of creating separate laws for the airline industry. As you know, competition law is the law of general application and general rule. I'm sure there are a number of competition lawyers and consumers out there who would probably want to argue that, as they did with me over the years.

Minister, you've talked a bit about the issue of win-backs, and I understand win-backs to work only on the following circumstances: if you leave the service, you will then get rewarded. So I hardly see how it's possible for you to connect wide consumer benefits with only a few people, who decide to leave, being paid handsome amounts to come back.

There's the experience in the United States, Minister, which I raised with you in December after you made your policy announcement just before the House rose. I talked about the experience of decline in competition in the United States. In fact, not only were they concerned about the decline, but to the same mantra that wireless and VoIP would be effective substitutes, we know that those technologies are a long way off. In fact, if they are precluded under your plan, they may never be realized.

So let me ask you this, Minister. An area that my colleague Mr. Carrie talked about in Durham region with Oshawa was with respect to what consumers are concerned about. They're very concerned about wireless. I want to know where you are with respect to this review, especially given that you have now three players. I note that under your criteria for having competition there has to be one of the wireless players who is not affiliated with the others. It's going to be pretty hard to deal with only three companies, which usually constitute either a telephone or a cable company. But this, Minister, probably has a lot to do with the fact that you didn't go through all the recommendations and follow the expert panel review.

Where are you with wireless? And when are you going to respond to a true need of consumers, as opposed to one that you seem to be inventing here now?

•(1615)

The Chair: Okay, Minister, there's a lot there for you, as usual.

[Translation]

Hon. Maxime Bernier: Thank you for asking that question about Bill C-41. It gives me an opportunity to say that this is an important bill that will allow us to ensure that these industries can be part of the free play of market forces in areas or centres which have been deregulated, while still complying with the Competition Act. By giving the Competition Tribunal the authority to impose monetary penalties, the government is promoting voluntary compliance with the Competition Act and, at the same time, protecting the consumer from anti-competitive behaviour that could be harmful. It is important to see Bill C-41 in its full context. The telecommunications market is evolving very rapidly, and there is a need for modern, flexible and effective regulations that allow consumers to benefit...

[English]

Hon. Dan McTeague: I must interrupt you right there, Minister. Sorry.

The Chair: Mr. McTeague, you've asked him a number of questions.

Hon. Dan McTeague: Chair, I can ask all the questions I want in six minutes, sir, or five minutes.

The Chair: It's true, but you have to allow the minister time to answer.

Hon. Dan McTeague: Sir, on the subject of Bill C-41—

The Chair: Mr. McTeague, I'm going to allow the minister to answer your questions.

Hon. Dan McTeague: He is answering. And there's a question that comes with that.

Minister, you know full well that with respect to Bill C-41, as you've proposed it—and we've heard why you've wanted to introduce this bill—there's great concern that the damage is after the fact. So if someone is put out of business as a result, it'll take several months before somebody actually gets some kind of resolution. By that point, the business is gone, it's history, it's toast. And it'll take several months before someone is able to actually get back into business, if indeed they can at all.

This is a recipe for disaster, Minister. How do you explain that?

[Translation]

Hon. Maxime Bernier: You asked that same question of Sheridan Scott when she appeared before you, and I can only rely on what she said. She gave you an appropriate answer to that question. She stated that when the Competition Bureau focusses its efforts on a specific market, it can act very quickly, and I believe she cited the example of the airline industry, where the Competition Bureau was able to obtain injunctions very quickly in order to put a stop to anti-competitive behaviour. When a case is brought before the Competition Tribunal, it has the necessary resources to do its work, and it does so expeditiously.

I am only an elected representative; I am not responsible for the Competition Bureau. However, when the Commissioner of Competition tells us that her organization acts very quickly, citing the example of the airline industry, and that it has the resources it needs to carry out its work, I can only express satisfaction.

[English]

Hon. Dan McTeague: Mr. Chair, I'm sorry—

The Chair: No, no.

Minister, are you finished?

Hon. Maxime Bernier: Yes.

Hon. Dan McTeague: Are you going to play interference, Mr. Rajotte?

The Chair: Your time is up, Mr. McTeague. It's 5:08.

We'll go to Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Minister, for coming today. It's good to have you back to our committee.

I'll just go back a little bit, if you'll allow me. I come from a riding in southwestern Ontario, basically rural and small towns. My largest town is 14,000 people, and I have about 55 other towns that make up my riding, along with many who are in rural areas.

Mr. Angus is gone, but I certainly don't have people as rural as Mr. Angus has up north. Yet I can tell you that in the Internet service part, which is not regulated, a few years ago we didn't have anything, and now, quite honestly, it's amazing what has happened in terms of access to the Internet, especially high-speed access.

It still raises some concerns that have come from some of the stakeholders and customers, and I'll raise them because I have the rural issue and the small communities. In our rural communities the concern is that under your policy directive these communities could be left vulnerable to only monopolies or duopolies. Could you help and explain whether this would be true or not?

•(1620)

[Translation]

Hon. Maxime Bernier: Thank you for your question.

I want you to know that your riding is very much like my own. The Beauce region is partly rural and partly urban. That is why we decided to deregulate, based on the 3-3 test, only where competitive infrastructure is in place. As you know, remote or rural areas will continue to benefit from the CRTC's economic regulation.

You talked about remonopolization. We believe that all the players operating in a market where there is a traditional telephone network, a wireless network or cable telephone service, are subject to healthy competition. I do not believe there will be remonopolization because, as you know, Jim Shaw, of Shaw Communications Inc., issued a press release saying that he is prepared to compete with the former monopolies and that his business wanted to do that and was prepared to do that.

The President of Cogeco also made comments that were reported in *La Presse* when we announced our policy direction. It was reported that Cogeco has an advantageous cost structure and that it is capable of competing if there is a price war.

It's important to realize that these large cable companies have invested millions of dollars in their network and infrastructure. Having done that, they are prepared to meet the competition. I don't believe those major players will simply drop out of the market overnight. On the contrary, competition will benefit consumers.

In that regard, prior to price deregulation in the long distance market in 1998, the average cost of a long distance call was 30¢ per minute. After the CRTC deregulated that market, the average cost of a long distance call fell to 10¢ a minute. That allowed Canadians to reap the benefits and make long distance calls at very competitive prices.

My hope is that what happened in the long distance market will happen as well in the local telephone service market as a result of our deregulation. There will be competition where deregulation occurs; and where there is no competition, or where our test is not validated, it will be the *status quo*. Prices will continue to be regulated, and Canadians will benefit from competitive service offers.

[English]

The Chair: You can have a brief question, Mr. Shipley.

Mr. Bev Shipley: Yes, it's just a quick one.

I go back to your comments on the CRTC and long distance. It was a big issue at the time whether those of us in rural communities especially would get the benefit of those cuts, which are good for the consumer, and they have. I'm wondering now what role, in a deregulated telephone market, the CRTC is going to play.

Hon. Maxime Bernier: The CRTC will have an important role to play in the future also. As you know, in telecom they have responsibility for social regulation, which is still there. They're also going to regulate in a market where we won't have regulation, where our treaty tests won't be met by the market. Social and economic regulation in remote areas of this country will be the responsibility of the CRTC.

The CRTC has a role to enforce and regulate. As a government, we have a role to set the policy direction. That is why we decided last spring to table the policy direction that is in force now. We'll use the power we have in the legislation to issue a policy direction.

In the end, it will be profitable for all Canadians and the CRTC. They know where the government is concerning the telecommunications sector, and they know what they believe in. They have a responsibility, and I'm very confident that they are going to execute their responsibility in the best manner, as they have in the past.

• (1625)

The Chair: Thank you, Mr. Shipley.

We'll go to Mr. Vincent.

[Translation]

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

Minister, welcome.

We know that the Competition Bureau will be paying close attention to the players to ensure that there is healthy competition. However, in my riding, consumers are puzzled about all this. Previously, the Competition Bureau conducted an investigation regarding gas prices, and its decision left people completely baffled. According to that study, there was no monopoly, and everything was absolutely perfect as far as prices were concerned.

How will we go about convincing people that this same Competition Bureau can shed some light on this and determine whether there really is competition in the telecommunications industry in an urban or rural area?

Hon. Maxime Bernier: As I mentioned earlier, the Competition Bureau has an important role to play. It must ensure that we have dynamic and competitive industries all across Canada. The Competition Bureau will fulfill its role in the telecommunications industry just as it did, with great success, in the transportation industry when it was deregulated. The Competition Bureau played an important role. At the time, the government had given it the power to impose monetary penalties on any players that did not comply with the Competition Act, that engaged in anti-competitive behaviour or abused their dominant position.

It is our hope that the Competition Bureau will have the same powers in the telecommunications industry. That is why we have tabled Bill C-41, which takes its inspiration from a bill tabled by the previous government that confers the same powers on the Competition Bureau. So, it is our hope that this legislation can be passed as quickly as possible, in order to afford greater protection to consumers in deregulated industries.

Mr. Robert Vincent: Minister, I asked you how we could restore consumer confidence. We know that gas prices at the pump are different from one corner to the next. How can we ensure that people are confident that, if action is taken to deregulate the telecommunications market, someone will be checking to see whether there is collusion?

I'm going to try and give you an example. Imagine a rural area where both Vidéotron and Bell Canada provide service. We know that a third player is needed for there to be competition. If, in that area, nobody wants to invest, that may allow Bell and Vidéotron to choose a competitor and let it use their lines or wires, so that it can become the third player. We also heard that the Competition Bureau can determine that there is competition even if two companies have 95 per cent of the market and another one has only 5 per cent.

Will it be possible for two major companies to decide to allow a small competitor to use their lines and say that there is healthy competition, even if it only has 2 or 3 per cent of the market? It seems to me that's cheating in a way.

•(1630)

Hon. Maxime Bernier: Are you referring to the test applied to determine whether a market will be deregulated or not? You're talking about the market share loss test. Well, as I stated earlier, we have a test that applies to the different players in the market. So, it's important. Deregulation will only be effective...

Mr. Robert Vincent: No. My question is: if nobody wants to go into a rural area because setting up a system there will be too costly and they won't be able to make any money from sales, is it possible that the two major players could ultimately choose a competitor?

Hon. Maxime Bernier: The rural areas—and this is an important point—have not been deregulated. They still benefit from CRTC regulations and standards that are currently in effect. It's the *status quo*.

So, we are applying our test to the market, as it currently exists. Cities like Toronto and Vancouver could benefit from deregulation when this test is applied by the CRTC and put into effect. So, we are giving the CRTC a tool with which to expedite deregulation in the urban centres, where there is already healthy competition.

As regards areas where there is no competition—in other words, where there are only one or two players—we will not be applying that test. I hope that we will one day be in a position to create competition and deregulate those markets. It's in the interest of consumers, so much so that according to one study, a 1 per cent drop in rates in the local telephone service market, following deregulation, would affect approximately 60 per cent of markets in Canada and result in annual savings of \$29 million a year for Canadians. That's a lot of money. That's the reason why we want consumers to benefit from this competition as quickly as possible.

We have to decide whether we are going to allow that deregulation to occur immediately or later. Should we apply the 3-3 test or the market share test?

We have decided to apply the 3-3 test, which is simple and non-arbitrary, to allow the CRTC and markets to apply it where there is competition, so that consumers can benefit and save money.

The Chair: Fine. Thank you.

[English]

Okay, *merci*.

We'll go now to Mr. Van Kesteren.

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

Thank you, Minister, for coming. I want to congratulate you on work that was done on an important issue that was brought forward a year ago. You've moved forward on that, and we thank you for your attentiveness and for coming here to answer some of these questions.

My riding, Chatham—Kent—Essex, is probably one of those ridings that represents all areas, much the same as the riding you talked about. We have an urban centre, Chatham, with a population of 40,000. It has good representation from all parts of telecommunication. Then we have rural areas with very little representation, and in some cases they need high-speed Internet. I'm concerned about them.

I'm wondering, sir, if you can tell us how this new policy direction would benefit them. Or would it hinder them? Would it cause a slowdown in having the services they so desperately need and want?

[Translation]

Hon. Maxime Bernier: Thank you very much.

Following 60 days of consultation and the tabling before Parliament, for a period of 40 days, of the policy direction we issued, and which has been in effect since December, we were able to make certain changes to the CRTC policy direction in order to ensure that suppliers of wholesale broadband access are still able to access the networks of former monopoly undertakings.

Following consultations, the policy direction issued to the CRTC was amended somewhat. I will read you part of what we amended in order to ensure that suppliers of wholesale broadband access will always have access to former monopolies' core networks.

We amended the policy as follows:

•(1635)

[English]

...to determine the extent to which mandated access to wholesale services that are not essential services should be phased out and to determine the appropriate pricing of mandated services...

So we want to be sure there is an industry offering wholesale access services to Canadians. We asked the CRTC to have a look at this in their usual, very conscientious and professional way. I know right now they have some hearings concerning this, and I'm looking forward to the decision of the CRTC, to make sure the companies will be able to offer these wholesale services—again, in the new context. In the end, it will be good for customers because we're going to have more competition.

Mr. Dave Van Kesteren: Thank you.

I just want to switch gears a little bit.

When we're talking about the submission, based on content—not on process, but on content—have you received from the members of this committee any recommendations or submissions at all for policy direction? Again, this is based on content, not on the process.

Hon. Maxime Bernier: What do you mean by content? The content of the—

Mr. Dave Van Kesteren: The content of your submission.

Hon. Maxime Bernier: Yes, we received 71 recommendations and pieces of advice from the public after the 60 days of consultation. These were very useful for us before issuing or putting into force the policy direction. These recommendations were based on the experience of the industry and all consumers across the country, and it's why we made some modifications in the policy direction. If you compare the policy direction we proposed and the policy direction we enforce, they are a little bit different, because we were able to have access to and received good comments from Canadians.

Mr. Dave Van Kesteren: Did you have any recommendations from the committee?

Hon. Maxime Bernier: No. I'm waiting for your recommendations on the forbearance decision. If I could maybe receive a letter from the committee next week, or something like that, on the forbearance decision, I'd be pleased to take that into consideration.

The Chair: Okay. Thank you, Mr. Van Kesteren.

We'll go now to Mr. Masse.

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

Thank you, Mr. Minister for being here. I apologize for being late, but I have had a chance to go through your remarks.

I want to clarify a couple of process issues as you're looking at deregulation and the model you have proposed.

Obviously, you're coming with the conclusion that those with the three services in their communities are being overcharged; hence, the current regulation is one that isn't of benefit to the consumer. By how much do you estimate the consumers in those areas who are going to be deregulated are actually being overcharged right now by the incumbent providers at the actual places of business?

[Translation]

Hon. Maxime Bernier: Thank you for your question.

I'm not saying that some telephone companies are charging too much. I'm simply saying that we want to enhance competition. Normally, in any deregulated industry, competition leads to better prices and better service for Canadians.

Based on the test that is proposed here, approximately 60 per cent of the major markets here in Canada will be deregulated once it has been applied by the CRTC. For consumers, that means stiffer competition in the telecommunications industry, where the players are very healthy, financially. There are major players in both the cable and traditional telephone market segments and these people are prepared to compete.

When we apply our test to the major urban centres, the result is that there is less economic regulation affecting the major players.

Experience has shown that less price regulation leads to much lower prices; in any case, that is what has happened in the past.

Earlier, I used the example of long distance pricing, which went from 30¢ a minute in Canada, before deregulation, to 10¢ a minute. Do I have any assurance that this will occur in a deregulated industry? Well, I don't have a crystal ball, but I can tell you that competition always benefits consumers, and we are undertaking this reform in the interests of consumers.

• (1640)

[English]

Mr. Brian Masse: Has your department conducted a study on that?

Hon. Maxime Bernier: I will ask Richard Dicterni, my deputy minister.

Mr. Brian Masse: It's a simple question. Has your department conducted a study on that?

Mr. Richard Dicterni (Deputy Minister, Department of Industry): We've benefited from a lot of the work—

Mr. Brian Masse: Yes or no. Has your department conducted a study on that?

The Chair: Mr. Masse—

Mr. Brian Masse: I'm asking whether or not there has been a study upon the three pillars that they're talking about and their effects upon those markets.

Has there been a study done on whether that reduces consumers' costs? It's a simple question.

The Chair: Mr. Dicterni.

Mr. Richard Dicterni: I was going to say that we have benefited from the work that was done for the TPR panel, which conducted a number of hearings and conducted a number of surveys.

Mr. Brian Masse: Mr. Chair, I'm asking if the department did a study on a simple question.

The Chair: Mr. Dicterni, has the department conducted a study on this issue?

Mr. Minister?

Hon. Maxime Bernier: I will answer this question.

In doing this reform, the most important thing for us was to put the consumer first, and that's what we did. It's very simple. If you look at all the other—

Mr. Brian Masse: There's a simple question being asked here, Mr. Chair.

Hon. Maxime Bernier: We don't need any—

Mr. Brian Masse: Obviously you didn't do a study then. Why don't you just say that?

Hon. Maxime Bernier: We didn't need any specific study to tell us that deregulation will be good for customers. Across the globe, in the U.K., in Hong Kong, and in all other jurisdictions, when they did deregulation in local phone services—

Mr. Brian Masse: Mr. Minister, I was simply asking the question about whether or not you did a study in the Canadian market about your proposal of deregulation.

Hon. Maxime Bernier: I think Canadian customers will—

The Chair: Order.

I'll assume the answer is no.

Mr. Masse.

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

Subsequent to that, all I was simply going to ask about, Mr. Minister, was the \$29 million that you used in your earlier example about a benefit. You were talking about a 1% reduction in cost to consumers in those. Where did those figures come from? If you have a \$50 cable bill, that's a 50¢ reduction per month, so I wanted to know where you got those figures from.

Hon. Maxime Bernier: It's simple mathematics. If you have a 1% decrease in local phone service costs, at the end that will be about \$29 million a year. It's information that is provided in different briefings I received from the policy panel or...I don't remember in detail where I received this information from, but it was in my briefing notes.

I don't know, Richard, if you....

Mr. Richard Dicter: We will get it for you.

Mr. Brian Masse: I'm just trying to clarify if this is a guesstimate based upon that. I understand that work has been done in the past, but I wanted to know specifically. I'm not trying to be hostile here, but to be quite frank, these are simple questions about whether you did an economic model or study upon your proposal. I think it's a fair question for consumers.

You claim to champion consumers. At the same time, if you don't believe they're being overcharged right now, then they're not going to necessarily benefit from competition.

Hon. Maxime Bernier: I didn't say that. What I'm saying is that the customer will benefit from bundled services provided to them. In that, maybe they will have different prices and maybe they will have better services. At the end, it's the market that will decide and the customer who will decide.

What I'm saying is that we have competition right now, and it's time to deregulate. At the end, it will benefit the consumers because they're going to have better services and probably good prices. That's been the experience in other jurisdictions, and I think it's a good experience that we can bring here.

The Chair: We're at six minutes, Mr. Masse.

Mr. Brian Masse: That's fine, Mr. Chair. Thank you.

The Chair: We'll now go to Mr. Bevilacqua.

Hon. Maurizio Bevilacqua (Vaughan, Lib.): Thank you very much, Mr. Chair.

Minister, first of all, I'd like to express to you my sincerest gratitude for your presentation today. You occupy a very important role as it relates to the Canadian economy.

As far as I'm concerned, the number one challenge this economy faces is the productivity gap between us and the United States and

other countries. That has, of course, an impact on our standard of living. I was happy to note in your presentation that competitiveness, as well as productivity, is in fact part and parcel of your beliefs as they relate to the Canadian economy as we try to compete in the world market.

I want to take a broader approach and get a sense from you, as the minister, what we can in fact expect from you. You obviously are a believer in deregulation. This is the philosophy that you seem to be promoting. How far are you going to go with that? Does it go beyond the telecom issue?

As well, I would like for you to address the issue of foreign ownership, which has not been mentioned. I refer to the OECD study that essentially urges Canada to change its rules. If I may quote from a couple of individuals, one was Don Drummond, the chief economist of the Toronto-Dominion Bank, who said, "It reduces competition, and so it keeps prices up artificially high." The C.D. Howe Institute stated, "Without change, capital-starved Canadian companies will fail to commercialize much of the nation's R&D investment." So how big of an issue is this for you, and will you be acting on this particular issue in the near future?

•(1645)

Hon. Maxime Bernier: Thank you.

[*Translation*]

As you know, on March 22, the Telecommunications Policy Review Panel submitted a report containing more than 120 recommendations, as well as a number of interesting suggestions. One of those was to adopt a progressive method of liberalizing foreign investment restrictions. It also suggested, as you know, that Cabinet be given the power to override the restrictions during phase I, if it believes the foreign investment is in the public interest. It also recommended broader liberalization that would ensure fair treatment for all telecommunications undertakings, including distribution and broadcasting undertakings. This second phase would be implemented following a review of broadcasting policy.

Those are the recommendations made by the expert panel, and we are currently reviewing all of their recommendations, including that specific one.

As you already stated, the OECD also recently expressed the view that there should be further deregulation in the Canadian telecommunications industry.

There is also our Advantage Canada plan, presented by the Minister of Finance, which is intended to increase foreign investment in Canada. In that regard, we are being asked to review foreign investment policy, and particularly the Investment Canada Act. Through the Advantage Canada plan, the new government will try to maximize foreign investment spinoffs for Canadians, while maintaining our ability to protect the national interest or national security.

As you know, we are determined to lift restrictions on foreign property as much as possible under the General Agreement on Trade in Services between the provinces. That is an important agreement, and we want to be sure we limit restrictions between jurisdictions even here in Canada.

Finally, the World Trade Organization has to adopt policies that are consistent with Canadian policies and its own.

Having said that, the telecommunication sector is important for industry. We want to ensure that it has the necessary resources to be competitive internationally.

We are currently reviewing foreign investment. You asked me whether I am prepared to take action with respect to foreign investment. I note that, under the previous government, your Committee tabled a unanimous report, I believe—my memory fails me—in which you said that there should be liberalization of foreign investment in the telecommunications sector.

As Minister of Industry, I am responsible for the Telecommunications Act, but not the Broadcasting Act. So, I am analyzing the recommendations of the Policy Review Panel, as well as the report of the Standing Committee on Industry, which recommended that we liberalize foreign investment. I will report on that analysis to my Cabinet colleagues at the appropriate time, with a view to determining future action.

[English]

Hon. Maurizio Bevilacqua: I'm sure, as a minister—

The Chair: We're over time, Mr. Bevilacqua. I'm sorry about that. We're at five and a half minutes, so we're over time.

We'll go to Mr. Carrie for five minutes.

• (1650)

Mr. Colin Carrie: Thank you again, Mr. Chair.

I'd like to talk about the wireless market for a couple of moments. Some players have said that in order for Canada to have a competitive wireless market, the federal government should put Spectrum aside for a fourth wireless player. I was wondering what your position is on this and how you would like to explain your recent announcement about the Spectrum auction.

[Translation]

Hon. Maxime Bernier: Thank you very much.

Industry Canada is currently responsible for spectrum management. As you know, in their report, the experts recommended that responsibility for spectrum management in Canada be transferred to another organization.

I am currently reviewing this whole issue from a broader perspective, as I am all the other recommendations. My Department issued a press release last Friday informing Canadians and industry participants that we would like to proceed with a spectrum auction. Various band frequencies are currently available, and we want them to be available to players here in Canada.

As you just said, we asked a specific question as part of the consultation, which was the first phase of a lengthy process. We will be consulting industry stakeholders with respect to the criteria for the auction. Following that, we will carefully consider their input. Finally, in early 2008, we will proceed with a call for bids on available spectrum.

The question is whether part of the spectrum should be reserved for new players. The debate is on. I have no preconceived notions as far as that goes. I await the recommendations and suggestions of people in the industry and various players with respect to whether or not the government should reserve part of the spectrum for new entrants.

There are also all the other technical details related to the auction. We are asking people in the industry to forward their comments and suggestions to us. This is a consultation process that will last 30 to 60 days. At the end of that process, in early 2007, we will call for tenders in order to make certain spectrum bands available on the market.

[English]

Mr. Colin Carrie: Thank you very much, Mr. Minister.

Overall, we've heard from the committee that some committee members feel you've been moving too fast and some committee members have felt you're moving too slowly. I'm looking at how this whole process is moving forward. As you were saying, it's the first step in moving this thing forward.

You appear to be following the expert panel's recommendations quite closely. And we heard today that maybe you should take all the recommendations and move forward at once. But if we did go for legislative change in that regard, did you get any input from the department about, if we went that route, how much longer it would take to get things moving forward than following the route you've already taken?

Hon. Maxime Bernier: I just want to be sure that I understand your question very well. It's about deregulation or about Spectrum that you're speaking.

Mr. Colin Carrie: Not Spectrum, no; it's the deregulation part of things.

I'm just curious. As I said, you seem to be following the expert panel quite closely, and I was wondering, if you went for legislative change, did you get any recommendations as to how much longer that would have taken if you went that route throughout the whole thing?

Hon. Maxime Bernier: First of all, as a committee...I received a lot of recommendations. There were 127 recommendations from the expert panel. We're studying that.

You've had some hearings and you're going to have some hearings during the next couple of weeks. I will weigh that before going out in front of Parliament with a new Telecommunications Act or something like that.

This Telecommunications Act has not been revised since 1993, and I think we must have a look at this legislation. A lot of the recommendations by the expert panel are very important for the future of this telecom industry. It's why I'm asking you, as a member of the committee, and the committee as a whole, to give me some recommendations and to do a deep study on this sector.

I will be able to take that back and analyze it. In the near future our goal is to have legislation before Parliament. But I don't know when. I don't have any priority on that right now. The priority is to be sure that I receive the recommendations from this committee, and I will analyze that, and as soon as possible we'll make a decision as to whether we are able to bring the legislation before Parliament or not.

• (1655)

The Chair: Thank you, Mr. Carrie.

We'll go to Mr. Bagnell.

[Translation]

Hon. Larry Bagnell (Yukon, Lib.): Well, Minister. Thank you for here.

[English]

I know you'd like the deregulation to reduce costs for everyone—for consumers, I'm sure—but sometimes the road to hell is paved with good intentions, and in some cases it's just not working for low-income people. I'll give you two examples.

One is when long distance was deregulated. You sort of did half the job, but not basic access rates that low-income people need. In remote areas, it's almost a matter of life and death, and certainly for economic survival or to get off social assistance. So when long distance rates went down—which you, I, or governments, and wealthy people could afford—the telcos needed to get some revenue from somewhere, so they reduced basic access rates, which were not regulated. Of course the people who could least afford it, those with low incomes, had to pay the bill.

The second example is when a telephone company owns the wires in an area. There may be a number of Internet providers, but when you say, well, we'll deregulate and then we'll get the cheapest, the problem is that the company owning the wires charges the only other providers a rate to use those wires. When that was regulated, at least they had to provide access at a reasonable rate. But deregulated, they think they can do what they want and charge exorbitant rates, which puts Internet access up.

Of course, no one in a remote area can afford to put in those cables or wires again, so it's not working.

I don't know if the minister has a solution to those two problems and how they might be made to work with regulation, because deregulation obviously didn't work.

Hon. Maxime Bernier: For your question, I want to let you know why we're doing that. I think it's important to put it in context.

Recently the OECD issued a very interesting paper, based on a study about why we want to have more market forces in the telecom sector, why we want to have more deregulation in Canada's telecom sector.

The study estimated that the growth in Canada's business sector productivity could have been much higher. It would have been 1% higher every year between 1995 and 2003. I'm saying this because—and it's not me, it's the OECD—if we didn't have the overregulation that we have in this country, we could have better productivity for our economy as a whole. If we had aligned our regulation with that of the least restrictive country in each sector, we would have had that 1% increase between 1995 and 2003. This 1% more per year makes a huge difference after a few years, and I think you're going to agree with me.

But there was another important observation in the OECD study. Excessive regulation has a worse effect in sectors that produce and use information and communications technology intensively. So telecom is an example. It's even more important to have less and better regulation in this sector.

This is why we decided to deregulate the telecom sector, so that the economy as a whole would benefit.

In the end, this will have an impact on productivity growth in this country, because as you know, excessive regulation has always been a huge cost. This cost is more important in the telecom sector, because it's so important for the country's innovation and productivity.

Answering your question concerning

• (1700)

[Translation]

Access to services provided by wholesale Internet access or telephone access resellers is very important. That is why we asked the CRTC, in the policy direction which is currently in effect, to strike the right balance between market forces and regulation in this segment of the telecommunications industry.

We also recognize that mandatory access to wholesale services is needed to promote competition, and the CRTC is currently reviewing that. The CRTC is the most appropriate agency to regulate that segment of the industry, if need be, and ensure that Internet service is accessible, particularly broadband, all across the country.

We want to ensure that deregulation does occur, and that it occurs in an orderly manner, and that service providers...

[English]

The Chair: Okay, Minister.

[Translation]

Hon. Maxime Bernier: Sorry; I will just conclude on that point: I want to ensure that wholesale service providers will still have access to the same regulation.

[English]

The Chair: Mr. Bagnell, be very brief.

Hon. Larry Bagnell: Very briefly, I wonder if the department could give me a written answer to those two questions in a bit more detail. I'd appreciate you answering now, but....

Hon. Maxime Bernier: That's no problem.

The Chair: Thank you, Mr. Bagnell.

We'll go to Monsieur Arthur.

[Translation]

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

Good afternoon, Minister.

Hon. Maxime Bernier: Good afternoon.

Mr. André Arthur: You are more than the Minister of Industry for Canada; you are the member for Beauce.

And I am the member for Portneuf—Jacques-Cartier.

People in Quebec know about the similarities between Portneuf and Beauce. Both are ridings where small industry is extremely dynamic and is based to a large extent, in both cases, on exports, allowing both employees and investors to make a good living. Entrepreneurs in both of our ridings are fiercely independent people. A member of Parliament who served before you was an independent by the name of Gilbert Bernier. Our two ridings have this in common: they're the victims of programs put in place by the Government of Quebec that discriminate against resource regions, resulting in significant job losses. Our two ridings also have in common the fact that, for a very long time, they were ruled by Québec-Téléphone, which became Telus Québec, something that probably significantly hindered economic development in both of our regions.

Our two ridings probably also have in common their lack of access to deregulation, which is kind of a shame, based on the standards you have just put in place or are preparing to make official. When that happens and as competition becomes more and more widespread, you will need to find competent and dynamic adjudicators, so that the competition is fierce and ruthless.

In recent weeks, I have noted that Liberal members of Parliament who sit on this Committee do not have a great deal of confidence in the Competition Bureau. They have the impression that everything always takes too long when you're dealing with the Bureau. As for our Montreal colleagues representing the Bloc, they feel that if the Competition Bureau were truly effective, every oil company executive would already be in prison. So, they can't possibly have any confidence in the Competition Bureau.

Ms. Scott showed courage in coming here to deliver her message, which was to reclaim a mandate and to declare herself capable of fulfilling that mandate expeditiously if real problems emerge.

What do you intend to do to restore people's confidence in the Competition Bureau and its ability to take quick, draconian action if there are abuses?

Hon. Maxime Bernier: Thank you for your question. As regards a comparison between the ridings of Beauce and Portneuf, you are right that we represent people who are entrepreneurs, people who believe in their success and in themselves. I am very proud to represent the Beauce region, and I am certain that you are just as proud to represent your riding. People from the Beauce may not benefit from the deregulation of telephone services quite as quickly as we would have liked, but I do hope that one day, they will derive the same benefits as people living in the major urban centres across the country.

I have confidence in the Competition Bureau; I believe the Commissioner is doing a fantastic job. She told the Committee that when there are serious problems, they address them and allocate the necessary resources to carry out studies as quickly as possible and issue injunctions, when necessary.

The Competition Bureau has all the resources it needs to be in a position to take action and sanction anti-competitive behaviour or an industry player that abuses its dominant position. It has all the necessary resources to do that. But we would like to provide it with an additional tool to counter this kind of behaviour. That's why I'm asking the Committee to look at Bill C-41, a bill that is in the interests of consumers, since it will ultimately give the Competition Bureau more teeth, by enabling it to impose administrative monetary penalties of as much as \$15 million and issue injunctions after conducting a comprehensive, but expeditious, study of a given situation.

The Competition Bureau has a role to play. It is an independent government organization, as you know. I believe the new power related to administrative monetary penalties that would be given to the Competition Bureau once Bill C-41 has been passed into law, is in the interests of consumers and Canadians as a whole. I am confident that the Bureau will act expeditiously if this bill is passed and if a situation arises in the market place which shows that a company is not abiding by the rules laid out in the Competition Act.

Thank you for your interest in Bill C-41 and I hope that this bill can receive appropriate consideration at second and third readings as soon as possible.

● (1705)

[English]

The Chair: Okay, thank you.

We'll go now to Mr. Shipley.

Mr. Bev Shipley: Thank you again, Mr. Minister.

I have just a couple of quick ones, actually. As we know, local phones are the only part of telecommunications that are still regulated.

A little earlier I touched on long distance deregulation, which happened many years ago—a little bit of background. I'm wondering if you can help us with that transition and how that benefited Canadians.

Then, why do you feel so strongly regarding this reform, about the benefits that will be similar to long distance deregulation? If you could give a couple of comments, that would be appreciated.

[Translation]

Hon. Maxime Bernier: Thank you very much.

As I said, the data I referred to with respect to lower pricing for long distance service in Canada beginning in 1998 are from the CRTC's 2001 Annual Report. I'm referring to chart 4.7. It's a diagram showing average long distance rates in Canada, and it clearly shows how prices dropped when deregulation occurred. The CRTC says that resale of long distance services began in the late 1980s, and facilities-based competition in 1992, but it was in 1998 that rate regulation diminished.

It is very important to make a distinction between rate regulation and the arrival of new market players. New players began to enter the long distance market in 1992. Despite the fact that there were new players operating in the market, rates remained relatively high at about 25¢ to 30¢ a minute. Now that there has been price deregulation—that is what we have now; we can make the comparison—we have new players in the market place which are the cable operators. Cable companies are able to offer local telephone service and secure market share previously held by former monopolies. So, we have new players who have been operating in the market for quite some time now.

We have now reached the point where it is time to deregulate prices, just as the CRTC did back in 1998 with long distance service. That was when we saw the impact on consumer pricing, and I hope we will see the same kind of impact on the pricing of local telephone service, so that consumers have better choices and benefit from more competitive prices. Based on the example we have with long distance service here in Canada, I am optimistic and I do believe we will see more competitive pricing in the coming months.

• (1710)

[English]

Mr. Bev Shipley: Mr. Minister, this whole process that we're going through is actually very much about the consumer and trying to provide a service that we use at a better value and a better price, with quality service for the consumer. I'm wondering what feedback you've been receiving from the stakeholders on the policy directives you've put out.

Hon. Maxime Bernier: We've seen a lot of feedback on the policy direction. After we made our proposed policy direction in Parliament in June 2006, we received 71 submissions. It was very useful for us, because in the end, if you compare the first policy direction that we issued last March and the one that is in force right now, that we put in force last December...we made some technical modifications to make sure we are in line with what the industry and the consumers of Canada want. Overall, the recommendations and the advice we received from Canadians was very positive. They want us to do what we must do as a government to issue policy directives

to the CRTC and to use the power that we have under the legislation, and we did.

Also, I want to inform you that we did a consultation, but my department also did a consultation with the CRTC to be sure the CRTC would understand what we mean with the policy solution that is in force right now. I think it was useful for us to consult the CRTC. We made some technical changes to the policy direction after that, and also consulted all Canadians on it. So now we have in front of us a policy direction that is in force and that is in line with all the concerns we received.

What we want to do with the forbearance decision is the same thing. The forbearance decision received 175 submissions from people in 30 days, and we also received comments from the industry after this consultation. But you also received a lot of interested groups here before you last week and the week before. What we want to do is take that and be sure that when it will be time to decide on the forbearance decision, we'll have all the input necessary to be sure we're going to put something forward that will always be in the best interests of Canadian consumers.

The Chair: Thank you.

We'll go to Monsieur Crête.

[Translation]

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

The report was tabled in March, 2006. One year later, on March 1, will you be in a position to table an amended Telecommunications Act?

Hon. Maxime Bernier: On March 1 of this year?

Mr. Paul Crête: Yes.

Hon. Maxime Bernier: In a few weeks' time?

Mr. Paul Crête: Yes.

Hon. Maxime Bernier: No.

Mr. Paul Crête: So, you have had the report for a year now, all kinds of recommendations have been made, including about 50 relating to legislative amendments, and yet you still are not ready to propose corrective action.

Hon. Maxime Bernier: No, and I do want to take advantage of the input that will be forthcoming. I know that the Committee will be studying this over the next few weeks and that there will be a report on comprehensive telecommunications reform. I want to look at those recommendations and that input before starting to prepare a bill.

Mr. Paul Crête: That is rather surprising. The usual process is for the government to table a bill, which we then examine in committee and invite witnesses to appear. In this case, it was urgent to take action in the telecommunications industry, but one year later, there is still no bill ready to be tabled, based on what you just told me.

Would that not justify the inclusion of a sunset clause with respect to local telephone service, because recommendations 3-5 and 9-4 of the Report both talk about the need for a specific timeframe? In recommendation 9-4, it talks about a comprehensive review of telecommunications policy every five years, and in recommendation 3-5, it refers to a transition period of between 12 and 18 months. Considering that only one part is being changed, would it not be logical for your policy direction to remain in effect for a limited period of time?

• (1715)

Hon. Maxime Bernier: I really like recommendation 9-4, which reads as follows:

The Minister of Industry should be mandated by legislation to undertake a comprehensive review of telecommunications policy and regulation every five years.

That is a power the government has under various pieces of legislation.

Mr. Paul Crête: Under a bill, though.

Hon. Maxime Bernier: I could make a commitment right now to include such a clause in a bill, because it is an important clause. We have the same thing in major pieces of legislation, such as the Bank Act, the Insurance Act, and a number of other Government of Canada statutes. I think it would be a very good idea to have a clause such as that in future legislation, thereby ensuring that policy and regulations are up to date and meet the requirements of both industry and Canadian consumers.

Mr. Paul Crête: With respect to local telephone service, would it not be preferable to consider this type of measure, considering that the Act is not going to be amended? This new approach would not last for ever. It would only apply until the next legislation is amended. By then the situation might have been corrected.

Otherwise, we're just throwing a ball up in the air and have absolutely no idea where it's going to land.

Hon. Maxime Bernier: I agree with your proposal that the Telecommunications Act include a provision like the one suggested in recommendation 9-4, so that there can be a debate every five years. You also referred to recommendation 3-5.

Mr. Paul Crête: My question relates to local telephone service.

Hon. Maxime Bernier: Yes.

Mr. Paul Crête: These are recommendations we will be making. If we were to suggest including a sunset clause, would you be open to that idea?

Hon. Maxime Bernier: It is worth looking at. In this case, we are amending a CRTC decision pursuant to the powers we have under Section 12 of the Act. Consequently, I can only take action in relation to what the CRTC says in its decision. We are trying to ensure consistency with what came out of the CRTC hearings when it made the decision. In any case, your idea warrants further study.

Mr. Paul Crête: Fine.

Hon. Maxime Bernier: For the time being, I don't have a position on that.

Mr. Paul Crête: Recommendation 3-5 reads as follows:

There should be a transition period of 12 to 18 months, during which time services that are currently subject to economic regulation [...]

That would be very appropriate.

Hon. Maxime Bernier: Yes, but as regards recommendation 3-5, we want there to be economic deregulation, in which case recommendation 3-3 would apply.

Mr. Paul Crête: Recommendation 3-3 could apply. The sunset clause would mean that it wouldn't be for ever. As far as Bill C-41 is concerned, all the government has to do is table it. Until it does that, we can't study it in the House. It's the government that hasn't tabled it yet.

Hon. Maxime Bernier: Thank you; you're right.

Mr. Paul Crête: That doesn't mean we are going to support it.

Hon. Maxime Bernier: You're right. In terms of the legislative agenda, our schedule is quite full. As you know, we are currently debating bills relating to the justice system in the House. If I understood you correctly, when the Government House Leader meets with your Parliamentary Leader to put second reading of Bill C-41 on the agenda, you will not object.

[English]

The Chair: Mr. Crête, a small question.

[Translation]

Mr. Paul Crête: Any time a bill is tabled, I am prepared to debate it. But I have a different question.

You may recall that the founder of Québec-Téléphone, Mr. Brillant, was from Rimouski. That kind of business could be the brainchild of an entrepreneur like those in the Beauce and Portneuf, but also in Montmagny and Rivière-du-Loup. All we need to do, if we want people back home to continue to own their companies, is give them attractive conditions under which to develop their business.

[English]

The Chair: Okay, I don't think—

[Translation]

Hon. Maxime Bernier: I gather you are referring to cable operators who are new entrants into the local telephone service market. That's a good point.

[English]

The Chair: I don't think we'll solve who has the most entrepreneurs, the Beauce, Portneuf, or Rimouski.

Voices: Oh, oh!

The Chair: We'll go to Mr. McTeague.

Hon. Dan McTeague: Minister, I think you'll agree that suggesting that consumers are somehow supporting this particular initiative, as Bell Canada tried to the other day... I'd be quick to point out that on the first question of the Ipsos-Reid poll they commissioned, 84% of Canadians weren't even aware of the policy to begin with. So this is in fact a very complicated area of public policy.

Notwithstanding the declarations you've made, and obviously the references you had to make to the documents in front of you, I too find it very complicated. I am aware of one thing, as are several members of this committee, with respect to the Competition Act, and I'm also painfully aware why legislation specific to the airline industry was put into question, which is that the cease and desist provision was struck down by the Quebec courts. Your department—your legal advisors—and Madam Scott should certainly have been able to tell you that only in the most egregious and obvious of examples, which is a very hard test to prove, will you be able to in fact arrest a situation where an anti-competitive act is taking place.

This leads me to the real question about the competitor presence test. What you've done is thrown out the standard rule of reason test by which all matters of competition or anti-competitive activity are judged. You've thrown out the opportunity to have a review of the market in which a decision is to be made. And of course consumers know very little about this project.

Given all the recommendations you've set out and given the Quebec court's decision, how can you now be confident that consumers will be protected and that anti-competitive activities won't be prevented under Bill C-41, which, by the way—and I point this out for you, Chair—was the grandson, if you will, of Bill C-19, which remanded it to make it a law of general application?

• (1720)

[Translation]

Hon. Maxime Bernier: Thank you.

You are referring to the now defunct Bill C-19 tabled by the former government. That bill gave the CRTC the power to impose administrative monetary penalties on stakeholders in all the different industry sectors. You're absolutely right. That is why I am confident that Bill C-41, which is specific to the telecommunications industry, will be approved by the House at the appropriate time.

With respect to the Competition Bureau and the Competition Tribunal, Ms. Scott said a number of times, when she appeared before you, that she has the necessary resources to take action and would like to be authorized to impose administrative monetary penalties of up to \$15 million. She said she would like this bill to be passed by the House and expressed her confidence that this would discourage abusive behaviour. At the same time, she said that if such behaviour were to appear, the Competition Bureau would have the tools it needs to issue injunctions with a view to ensuring that the Act is adhered to and that all industry players, particularly large players, comply with it to the same extent as new entrants.

The test that we are applying for the purposes of deregulation was used by the CRTC itself. It is different from the market share test. If we want consumers to benefit from deregulation and competitive pricing as soon as possible, we can use that test. It is based on facts, is easy for the CRTC to administer, and allows the rule to be applied where there is competition. That is our belief. We want this to happen as quickly as possible.

Hon. Dan McTeague: Minister, the problem is that the Competition Bureau does not have the right, even under Bill C-41, to go beyond the position taken by the judiciary, particularly in Quebec. That is why Bill C-41 contains amendments that take into consideration the legislation in force in the given area.

[English]

The concern I have is that in the time it takes to get to the tribunal, the business could be dead and gone and buried and the flowers wilted, and you've lost competition, as you've seen in the United States, Minister. You've seen this happen time and time again.

There was a perfect document prepared for you by the panel, by the report. You've chosen, even in some of the chapters, such as chapters 3 and 4, only to have certain recommendations. I'll give you an example: interconnection. There are a lot of companies that haven't interconnected; yet if you proceed with this, the advances you've made in long distance and in other places will be lost, and also what you've done here in terms of local connection.

Are you not concerned that your decision to rush or to go in haste may in fact have the reverse and opposite effect to what you're trying to achieve and result in less competition and very little in the way of new entrants to this market, which will hurt consumers?

The Chair: Minister.

[Translation]

Hon. Maxime Bernier: You are talking about the possibility of remonopolization or duopolization subsequent to our using our test and deregulating an urban market.

At the present time, there are a number of players operating in urban markets. They are the former monopolies, the cable operators providing telephone services, and all the businesses offering cell phone service. All across Canada, there is a significant number of players in markets considered to be very limited. I do not believe we will lose the benefits of deregulation or that we are moving towards a duopoly or monopoly. In that regard, I would just like to read a comment made by the President of Cogeco, Mr. Audet, as quoted in the *Globe and Mail* on December 13, 2006. This is what he said:

• (1725)

[English]

“Our costs are very low. If someone decides to lower prices, they are welcome. We'll be in a position to defend ourselves.”

[Translation]

The President of the company is saying here that there is a competitive price structure and that he is prepared to take on the competition in any price war that results from deregulation. That is why we believe we must move to deregulate. There are significant players, and in addition to that, this is in the interests of consumers.

[English]

The Chair: Thank you, Minister.

We'll go to our last questioner, Mr. Masse.

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

Thank you, Mr. Minister.

One of the concerns in my riding, where we have Esso, Petro-Canada, and Shell for gasoline, is that nobody believes there actually has been collusion; there's just no competition because of vertical integration in the industry.

With regard to your model, you have telephone, cable, and wireless, which allow for the deregulation component to take place. What happens or what thresholds are in place if, for example, one of those three different pillars exits the market or is not really there in a strengthened position and is going through the motions, so to speak? There are many places where cable or telephone service has really been at the lower end of provision. So what happens if one of those exits the actual area? Does regulation then automatically get imposed back on that area, since they've lost one of the three pillars of the reasons for deregulation?

Hon. Maxime Bernier: The CRTC will be able to analyze each market. When the test is met and we have deregulation, it will then become a deregulated market.

The CRTC will have the power to regulate, so I don't think this situation will happen. If another situation is different, the CRTC will be able to examine it and will be able to do what they must do.

It's like things in the remote areas. The CRTC has a role there, and they also have a role in the urban areas. They're going to be the ones to decide if we have deregulation or not. I believe the CRTC will do so in a professional manner, as they have done in the past. I believe we will have competition and won't have re-monopolization, because the market is ready for that right now.

Mr. Brian Masse: There has been a lot of rhetoric about who is on the side of the rights of the consumer. At the same time, there hasn't been action in terms of, for example, the review policy that put forth the recommendations. What's your position on the ombudsman's office? When is that going to be established?

One of the things that I think consumers would feel some comfort in is if consumers' rights and bills for the protection of their rights were enhanced prior to deregulation and if this office of the ombudsman was up and running prior to deregulation. If you had those two features established and ready to go, you would at least allay some concerns about where consumers fall as this thing opens up. So what is your position on those two things, and when can we see some action?

[Translation]

Hon. Maxime Bernier: The expert panel recommended creating an ombudsman position. That is something that exists in other jurisdictions. Great Britain and New Zealand have an ombudsman who is specifically responsible for dealing with complaints about the telecommunications industry. The government is looking carefully at that recommendation, just as it is all the others.

I would also like to receive comments from your Committee on comprehensive telecommunications reform, in order to give careful consideration to your feedback and propose amendments to the Telecommunications Act when we are ready. That is an important point. We want to be sure that consumers can file complaints about the telecommunications industry with a specific entity. Should that entity deal exclusively with complaints that relate to the telecommunications sector? That is precisely what we are pondering at this

time. If you have any ideas on that, I would be delighted to read the report that you will be tabling in a few weeks' time.

[English]

Mr. Brian Masse: I can tell you right now: before deregulation happens, strengthen the consumer rights aspects and actually have the ombudsman's office open and operating prior to anything happening. Those are two things that I would see as being of particular heightened importance.

My final question, Mr. Chair, would be with regard to AMPs and the penalties. Are the recommendations coming forth going to be such that they'll be reviewed? I think it's a five-year review period, but would you be favourable to a three-year review period with regard to that piece of legislation, so that if consumers are being hit hard, the monetary penalties are going to be significant enough to make a difference?

What really concerns me once again is that if you look at some of the monetary penalties that we have in current industries right now, as you lose some competition from natural mergers and so forth, the penalties diminish in value. Is there an openness to having an open review of that on a more regular basis?

● (1730)

Hon. Maxime Bernier: It's a good point that you put on the table. What we want to do is have legislation that is in line with all preoccupations. I think your point is that if we need to increase the monetary penalty, you want us to be able to do so.

I think \$15 million is a huge amount, and the chair of the Competition Bureau told you that the last time she was here before you. But in every piece of legislation, doing an update every three or five years is always a good thing. Because the situation and the economy evolve, it can be a good thing to be able to do a review after a couple of years of legislation.

As for why we decided to have \$15 million for monetary penalties, it's the amount that is very important to ensure that we won't have that kind of comportment. It's double the last fine by the Competition Bureau. If my memory is right, that was about \$1 million or \$2 million in other industries. In this industry, they're going to be able to impose up to \$15 million. That's a lot of money, but like all legislation, it's always important to review a bill after a couple of years.

The Chair: Okay, thank you.

Thank you, Mr. Masse.

Mr. Minister, thank you very much, on behalf of the committee, for being with us for the full two hours today. It was certainly a very interesting discussion on the deregulation of the telecommunications sector. I'm sure you'll look forward to the committee's deliberation and any submission to you. Thank you very much to you and your officials for being here.

Members, we will just suspend for two to three minutes, and then we'll go in camera for committee business.

We will ask everyone except for members and staff to leave the room.

[Proceedings continue in camera]

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