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THE EMERGENCE OF A NEW SOCIAL CONTRACT IN CANADIAN
TELECOMMUNICATIONS POLICY

by

B. GERRY COULTER, B.A.H., M.A. (Queen's).

A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfillment of
the requirements for the degree of

DOCTOR OF PHILOSOPHY

Department of Sociology and Anthropology

Carleton University

Ottawa, Ontario, Canada

June 30, 1992

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submitted by B. Gerry Coulter, B.A.H., M.A.
in partial fulfilment of the requirements for
the degree of Doctor of Philosophy

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ABSTRACT

Large users of telecommunications services have made a sustained and successful effort to see Canadian telecommunications policy re-written over the past fifteen years. A shift in both domestic and international policy is now permitting more competition and the restructuring of rates for telecommunications services. The demand for continental and global networks for high volume, high speed, digital voice and data has been led by major financial institutions and the business community in Canada.

The purpose of this study is to examine political-economic and sociological relations in Canadian public telecommunications policy over the past fifteen years. The changes occurring in Canadian telecommunications policy are shown to be in response to the demands of large users responding to the crisis of western capitalism since the 1970's. Change is characterized within the context of a transformation from the Fordist to the neo-Fordist order by way of a focus on class forces at work in the telecommunications policy process. Changes to policy are shown to be in response to a changing balance of forces within the provider/user groups themselves.

This study shows how the CRTC has responded to the needs

of large users and employs a structural framework, much indebted to the work of the regulation school, in an effort to understand why the state has responded as it has. The essence of the new order may be captured by understanding the movement away from traditional public service goals of universality and affordability towards a more market centered approach to regulation. Ultimately however, the response of the state to the needs of the most economically privileged members of society may lead to further class conflict and crisis in telecommunications and throughout a rapidly changing Canadian society.

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LIST OF ABBREVIATIONS AND ACRONYMS

ABA	American Bankers Association (USA)
ABC	Action Bell Canada
ACTS	Alliance of Competitive Telecom Suppliers
ADAPSO	Association of Data and Professional Service Organizations (USA)
AT&T	American Telephone and Telegraph
API	American Petroleum Institute
BCE	Bell Canada Enterprises
BCNI	Business Council on National Issues
BCOAPO	British Columbia Old Age Pensioners Organization
BEMA	Business Equipment Manufacturers Association (USA)
BOC	Bell Operating Company (USA)
BRC	Board of Railway Commissioners
BT	British Telecom
BTC	Board of Transport Commissioners
CADAPSO	Canadian Association of Data and Professional Service Organizations
CATJO	Canadian Alliance for Trade and Job Opportunities
CBC	Canadian Broadcasting Corporation
CBEMA	Canadian Business Equipment Manufacturers Association
CBTA	Canadian Business Telecommunication Alliance
CCC	Competitive Communications Coalition
CEO	Chief Executive Officer
CICA	Canadian Industrial Communications Assembly
CN	Canadian National
CNCP	Canadian National-Canadian Pacific
COTC	Canadian Overseas Telecommunications Corporation
COTU	Canadian Overseas Telecommunications Union
CP	Canadian Pacific
CPI	Canadian Petroleum Institute
CRTC	Canadian Radio-television and Telecommunications Commission
CSUA	Canadian Satellite Users Association
CTG	Canadian Telecommunications Group
CTC	Canadian Transport Commission
CUSFTA	Canada-United States Free Trade Agreement
CWC	Communications Workers of Canada
DOC	Department of Communications (Ottawa)
EC	European Community
EEC	European Economic Commission
FCC	Federal Communications Commission (USA)
ESC	Enhanced Services Council (USA)
ESP	Enhanced Services Provider

FNA	Financial network Association
GDP	Gross Domestic Product
GM	General Motors
GNP	Gross national Product
GRC	Government Research Corporation
IBM	International Business machines
ISDN	Integrated Services Digital Network
ITAC	Information Technology Association of Canada
ITU	International Telecommunications Union
LMS	Local Measured Service
MCI	Micom Communications Incorporated
MTS	Message Toll Service
NAPO	National Anti-Poverty Organization
NAFTA	North American Free Trade Agreement
NAM	National Association of Manufacturers (USA)
NATO	North Atlantic Treaty Organization
NTIA	National Telecommunications and Information Agency
PACM	Public Affairs Communications Management
PAI	Public Affairs International
PANS	Pretty Amazing New Services
PIAC	Public Interest Advisory Council
POTS	Plain Old Telephone Service
RCA	Radio Corporation of America
RDC	Rural Dignity Canada
TCTS	Trans-Canada Telephone System, later Telecom Canada now Stentor
TWU	Telecommunications workers Union
US/USA	United States/ United States of America
WATS	Wide Area Telephone Service
VANS	Value Added Networks
VMS	Voice Message Service

CHAPTER ONE

INTRODUCTION

It seems to me that the subject of communication offers possibilities in that it occupies a crucial position in the organization and administration of government and in turn of empires and of Western civilization (Innis, 1950:5).

Stripped of its ideological rhetoric and complex technological arguments, it is possible to see the telecommunications debate for what it is, an argument over how different groups will share the benefits and burdens of an exciting telecommunications future (Paul Thomas, November 5, 1989:7).

(i) Domain of the Thesis

This thesis examines the political-economic and sociological dimensions of telecommunications policy in Canada in recent decades. The argument is made that Canadian policy makers have moved away from traditional "public service" concerns in regulation such as universality and affordability, towards a more "market oriented" system. These changes are particularly evident in the policy process since 1976. An assessment of the changing requirements of the dominant economic class [for less expensive and more flexible communications services] combined with changing continental and global pressures [freer trading arrangements and the creation of continental and global networks] are

assessed as the motivating forces underlying the reshaping of policy. Within the context of these greater global and continental forces, changes to domestic and international telecommunications policy in Canada, are demonstrated to be in response to the needs of the heaviest users of telecommunications systems and to the detriment of most household users.

In particular, this study focuses on the struggle between large and small users over various policies and services including the resale and sharing of telecommunications networks, the addition of enhanced services to basic telecommunications, competition in long-distance telecommunications systems, changes to Canadian international telecommunications policy and the restructuring of the rates that different categories or "classes" of user will pay. Also discussed in some detail, are related struggles among domestic carriers themselves, and among domestic and international carriers. As such, the thesis seeks to contribute to a better understanding of the scope of the terrain of struggle in Canadian telecommunications; the key players, stakes and issues are considered within the structural setting which is provided by the world business system. The main research question [the conceptual and empirical nature of which is discussed further in section

(iv) below] may be stated as follows. Given a series of fundamental pressures emanating from continental and global sources, and given the class system which exists in Canada, how and why are the needs of the largest users of telecommunications met by the regulatory apparatus of the state, and what kind of system is evolving in light of the state's response?

(ii) Contested Terrain: Telecommunications and User Groups

The telecommunications sector of the modern global economy is complex and enormous. Conservative estimates predict that annual global spending on telecommunications products and services will surpass a trillion dollars by the turn of the century. Global investment in telecommunications is skyrocketing. The World Bank alone made over \$2 billion in telecommunications loans between 1978 and 1987 (Gayle MacDonald, May 22, 1989:41). The telecommunications sector now represents a greater share of Canada's annual Gross Domestic Product (GDP) than does agriculture and its related service industries. The growth rate of the telecommunication carriage industry after inflation in 1990 was ten times that of the economy as a whole. The industry's share of Canada's economic growth has risen steadily, trebling its contribution to national GDP between 1970 and 1990 (Canada: Department of

Communications, 1991:6). [See also Appendix One.] One study, conducted by DRI/McGraw-Hill has found that business saves, on average, about \$1.64 in other areas for every \$1.00 spent on telecommunications (cited in Bell Canada, December, 1991:2). Total worldwide spending on telecommunications products, systems and services is estimated to have accounted for about \$400 billion (US) in 1989 alone. Worldwide revenue from telecommunications services totalled some \$329 billion for the same year (Neogi, November 20, 1991:1). Finance, real-estate, insurance, wholesale, retail, business services, transportation and storage firms are the heaviest users of telecommunications (Bell Canada, December 1991:2-3). The American network services market reached \$6.9 billion in 1989, representing an annual growth of 21 percent from 1988. The North American services market is expected to grow from \$8.3 billion in 1990 to \$20 million by 1995 (Neogi, November 20, 1991:2).

Since the early 1970's multinational corporations have been increasingly interested in the commodity value that information has come to hold for modern organizations. Information is a special kind of "commodity" because it has become a source of growth for the market system as a whole. Some analysts now argue that information "has become the essential site of capital accumulation within the world

economy" (Dan Schiller, 1988:27). Herbert Schiller refers to the following American Express advertisement in making a similar point:

Our product is information...Information that charges airline tickets, hotel rooms, dining out, the newest fashions and even figures mailing costs for a travel magazine; information that grows money funds, buys and sells equities and manages mergers; information that pays life insurance annuities, ...information that changes kroners for guilders, figures tax rates in Bermuda and helps put financing together for the ebb and flow of world trade (American Express in Wall Street Journal, October 25, 1982, cited in H. Schiller, 1981:136).

As American Express knows, telecommunications is much more than hardware; like the modem or the facsimile machine, it is the network arteries that supply the very lifeblood of information and data upon which the world business system now depends for its survival. The vice president of Control Data Corporation said as far back as 1981, new systems of global control and management depend on telecommunications:

The merging of the computer and telecommunications technologies can transform the ways in which the multinational corporations operate. Today a company can collect data on its operations and personnel from all parts of the world, and almost instantaneously transmit this data to a single location for storage, processing and further dissemination. This provides the management of these companies with current information and decision making on a scale never before possible. As a result of these technologically based breakthroughs new concepts of management are emerging (Hugh Donaghue, in H. Schiller, 1981:137).

Telecommunications is about technology and it is about the

movement of information. Telecommunications is now central to capital accumulation on a global scale; it is about information--the information with which our working and leisure hours are increasingly occupied. But telecommunications exists within a series of social structures. As such, telecommunications is also a highly contested terrain as an examination of the various classes of telecommunications users reveals.

The backbone of the telecommunications sector comprises carriers such as Bell Canada, Telesat, Unitel or Teleglobe who offer network connections from point to point within Canada, and beyond its borders by connecting to foreign carriers. Telecommunications is about technology, about hardware like receivers, telephone lines, cables, switches, satellites, modems and facsimile machines. Digital technologies, part of an emerging global Integrated Services Digital Network (ISDN) are at the heart of the new telecommunication technologies. ISDN systems serve as ground based networks of fibre optic cables which are part of a global grid to compliment satellite communications technology. The emergence of ISDN is based on the marriage of the computer and the telephone in the early 1970's. ISDN telecommunication is at the heart of the new world market for information technology and services. The essence

of telecommunications may appear to be technological development, but telecommunications means much more to modern society than technology.

Modernizing national networks to meet the demands of the multinational corporate players in the world business system requires large increases in capital spending by telephone companies, particularly on digital technology (Todd, June 1990:iii). Much of this modernization involves the creation of international ISDN networks. ISDN represents the first step on the way to a global telephone system. It is the international master plan for replacing present traditional systems with a fully integrated, streamlined digital audio, voice and data system (Singelton, 1989:151).

New ISDN technologies offer the potential for improved quality and lower rates for telecommunications users. Telecommunications consumers or users, as with any other product or service, fall into distinct markets or classes of "user groups". Much of the distinction rests upon which type of telecommunications services users rely upon, POTS or PANS. POTS (Plain Old Telephone Service) means just that--a telephone to interconnect with the national and international telecommunications system from your home for voice communication.

PANS (Pretty Amazing New Services) include the vast

array of digital voice, data and video telecommunications services on the market today, such as the use of modems for data base access and data transmissions via the carriage network. PANS are essential to business communications in the modern era and businesses are by far the heaviest users of these services (Bell Canada, response to CRTC, Telecom Notice 1990-73).

It is important to understand at the outset that, for the purposes of this thesis, class is employed (to borrow Clement's terminology), "as a relational concept" (see Clement, 1988: chapters 1-3). As such, "class" includes workers in the telecommunications sector as it does large and small users of technology. Telecommunications is indeed a contested terrain with unequal contestants and unequal structures of power and rules to support them, but power does not follow a unidirectional, top-down path. Human agency is important to class analysis and it includes, so far as this thesis is concerned, working class agency as much as it does the actions of the representatives of the multinational corporate telecommunications user community.

The "working class" is important to this analysis in at least two ways. First, as the "producers" of telecommunications products and services. In Chapter Six we discuss the impact of neo-Fordism on jobs in the American

telecommunications sector and the likely impact of similar developments in Canada. Secondly, we must distinguish between working class, middle class and upper class consumers. Workers, as producers of products and services in the industry, have a vested interest in secure, continuous employment at a decent rate of pay and safe working conditions. Employers have a vested interest in production and profits. Average Canadians or "residential" users have an interest in affordability and accessibility of technology and services. Middle class, [petite bourgeoisie] or small business consumers such as the members of the Canadian Federation of Independent Business (CFIB), have a desire to participate in new technologies and service offerings at affordable rates. Chapter Five discusses problems faced by small business users in the United States and efforts by the CFIB to avoid the recurrence of such problems in Canada. Finally, there exist the bourgeoisie or large users of telecommunications--the corporate directors of banks and other large businesses, who have actively sought to transform domestic systems and policies as part of a larger effort to create an international high speed data and telecommunications infrastructure. The notion of "consumer" of telecommunications is highly problematic and ridden with class conflict. Many industry spokespersons as well as

traditional administrative researchers do not speak to this class differentiation (see especially Stanbury, 1986).

John Todd (June 1990) reveals that the main POTS user is the average Canadian telephone consumer, while the bulk of PANS users constitutes the Canadian corporate elite and the multinational business community operating in Canada. Todd characterizes the debate in Canada thus far as focussing a great deal of attention on the ways in which PANS users are cross-subsidizing POTS users (as long-distance rates have been traditionally kept artificially high in Canada in order to support broader social goals of universality and affordability). Less has been said, according to Todd, especially before regulatory tribunals, as to how POTS users are now being called upon to bear the burden of the cost in their monthly telephone bills, of modernizing networks to accommodate PANS in their monthly telephone bills. An important aspect of this thesis is an attempt to provide an understanding of the actions of these different classes of consumers before regulators in relation to the vast array of new technologies and services being demanded by the more powerful corporate user group. According to Todd: "...is it inconsistent for regulators to be concerned about one type of subsidy, toll-to-local, while ignoring other types of subsidies in the rate rebalancing exercise?" (June, 1990:37).

It is important to note at this point that not everyone has accepted the notion of an urban/business to rural cross subsidy. William Melody has argued that the cross subsidy actually works in the other direction to favour larger users (Melody, July 16, 1982). Oettinger has captured the essence of the cross subsidy argument by noting that the process of determining cross subsidies is a very political move on the part of governments and regulators. For Oettinger, the process of determining cross subsidies is a "political fiction" based on the logic of one particular administration over another. Oettinger ponders how else we could determine what is a local call; what distinguishes a part of the network used for local from that used for long-distance? Oettinger's insight is that these choices and the issues surrounding cross subsidy depend on the constellation of political forces at any given time (Oettinger, 1988). Since large users have a great deal of political and economic power today, then old definitions of cross subsidy are being challenged. Former governments, more concerned with public service concepts of regulation, made different political choices favouring smaller and rural users while overseeing the construction of a national telecommunications network to handle high volume business traffic. Ultimately, in reference to the cross subsidy debate, we will learn in this

thesis that it is rather a moot point at present as Bell has already made plans to bring its rates into line with American charges for local and long distance by 1996 (French, December 10, 1990:15-17). In Oettinger's terms, current political choices may well see those of a former generation overturned entirely.

Telecommunications then, is about more than mere technology; it is about difficult political choices concerning the international movements of the information commodity. In all respects, telecommunications today is a vast terrain characterized by struggles among different providers, and most importantly, different classes of users.

(iii) Methodology of Case Selection

In order to illustrate better the depth of change occurring in Canadian telecommunications practice and policy in recent years, four case studies [resale and sharing, MTS/WATS competition, BCE reorganization, and Canada's international telecommunications policy], have been selected using the following criteria.

(a) Competition and Continentalization Theme

Priority has been given to pro-competitive actions and decisions over the past fifteen years which have implications

for the theme of continentalization. By continentalization, we are referring to the movement of Canadian telecommunications policy towards an agenda set by corporations and governments based beyond Canadian borders [primarily those in the United States] over the past fifteen years. My concern is to demonstrate the impact of continental forces on Canadian telecommunications policy as this "continentalization" is being spearheaded by the adoption of United States style pro-competitive models. These models are being used as the instruments to achieve uniformity between Canadian and American telecommunications regulation, moving the former closer to the latter. The case of resale, sharing and enhanced services in Chapter Five illustrates these themes most clearly although they are omnipresent in the three cases which follow in Chapters Six through Eight as well.

(b) Differing Outcomes

Cases have been chosen which reveal different outcomes concerning policy making and regulation. In this, cases have been selected which were likely to yield an understanding of different winners and losers in the telecommunications debate. For example, the Bell Canada reorganization case [Chapter Seven] focuses on how telephone monopolies benefit

from changes to a pro-competitive environment. It is important to understand that no single capitalist organization or block in the telecommunications arena has dominated proceedings and benefited from them to the detriment of all other players. The study of telecommunications policy today requires much more than a simple instrumentalist mapping or analysis. It requires a further step towards understanding the powerful structural forces involved in the political economy of telecommunications policy making. While large users came to understand that their interests were much more in line with the creation of global data networks rather than with traditional commitments to universality, a chief problem was to supplant the Fordist regime while "transforming rather than undermining traditional equipment and service providers" (Mosco, April 6, 1990:11).

(c) Time of Change

Cases have been selected in an effort to capture some of the essence of the transition from Fordism to neo-Fordism. For example, since an important part of this study is to demonstrate that there has been a shift in the nature of the regime of regulation from the past to today, cases have been chosen that help us to understand the process of evolution

from a Fordist to a neo-Fordist regime during the transitional period in between these regimes. Chapter Four provides us with insights into the regulation of telecommunications prior to and during the Fordist era. Chapter Five [resale and sharing] and Chapter Six, [MTS/WATS competition] taken in the context of Chapter Four, allow us to understand the real day-to-day importance of changes which have occurred in the past two decades for corporate and average users alike. Chapter Seven [BCE reorganization] allows us to understand that the period 1977-1984 was a key transitional period in Canadian telecommunications, especially in the eyes of the leadership of the dominant telephone company, between the older Fordist model, challenged in the United States since the late 1960's (Schiller 1982), and the emerging neo-Fordist model [which clearly emerges in Chapters Five through Eight]. Although all four cases deal with events over the past fifteen years, they are of such a rich historical lineage, [outlined in Chapter Four], they also provide us with a clear understanding of what the Fordist regime looked like and entailed, who challenged it, why it was challenged and in which arenas, in order that we may be able to begin to point to the emergence of a neo-Fordist regime after the early 1980's.

The key focus of my analysis on the cases will be on the changing role of large private sector user groups in the formulations of MTS/WATS and satellite regulation over the past fifteen years. Such an analysis is vital at this pivotal time in Canadian telecommunications regulation. This research differs significantly in focus from Robert Babe's recent book Telecommunications In Canada. Babe's book is a thoughtful and insightful approach to the role of the Bell monopoly in Canadian telecommunications history. Babe's work makes great strides in moving Canadian telecommunications research away from models married to technological determinist approaches.

While strong on historical research and the role of human agency in Canadian telecommunications regulation, Babe's analysis lacks a thorough critique of the role of large corporate user groups seeking competitive telecommunications, which is the key to my analysis of the case studies. My approach to these case studies will not only provide a theoretically different approach to that of Globerman and Stanbury in the neo-classical tradition, but will also seek to deepen and extend the admirable institutional analysis begun in Babe's work. By focusing on telecommunications regulation at the national level, I can consider the many outside forces (provincial governments,

other national governmental agencies, telecommunications monopolies, domestic and foreign would-be competitive providers, large corporate user groups, and average citizen user groups), while maintaining a focus on my primary research questions. This focus will allow a comprehensive analysis of all significant factors influencing telecommunications regulation at the national level, while providing a large but not overwhelming amount of material for one thesis.

(iv) Contributions to the Field of Study

The original contributions of this thesis rest in three important areas. Firstly, the research will attempt to establish the links among telecommunications policy, private capital and the state within a theoretical perspective on class power. This relationship has been touched upon in the existing literature in Canada but not in such a way as to thoroughly test the utility of the concepts of the regulation school to the Canadian context. As pluralists have largely ignored class relations in policy analysis, so too have critically oriented researchers largely ignored the role of the state as a regulatory mechanism in the past ten years. This thesis develops and critically examines how theories of the state link with critical perspectives on both the

political economy of communications and the policy process in such a way as to reveal the intertwined nature of policy and structural relations of power in capitalist society.

Secondly, the examination of various policy and regulatory decisions will focus on the political and economic factors which embrace and shape the production of policy and regulation, and thereby serve to define the practice of telecommunications as well as to reinforce the structured relations of power which guide the introduction of new technologies and services. Thus, while some theoretical work has already been done in Canada drawing on the insights of the regulation school, and other work has focused on the relation of the state and capital to policy making, a more novel approach will be the attempt to draw out the deep-rooted, historically-emergent relationships among telecommunications policy and regulation, the state, private capital and class power. What is needed now is an effort to uncover the structural political economic relationships of power that underlie telecommunications policy formation.

Finally, telecommunications has become central to capital accumulation both in Canada and in the world business system. This study will make more of an original contribution to the critical understanding of the social practices of both policy formation and the introduction of

telecommunication systems and services, as it documents the appropriation of telecommunications regulation and policy by various forms of class power within a set of social relations which continue to thrive behind the continued replication of that appropriation. This thesis will contribute to the ongoing effort to chart the replacement of the public utility concept in regulation with market-driven forms of regulation.

In a more general sense, this thesis will present a significant challenge to the dominant body of telecommunications policy and regulation literature represented by the work of Stanbury and Globerman and others in the neo-classical and pluralist traditions. What is missing at present, is a presentation of a concept of regulation and policy-making that recognizes class power in society and the state. As such, this thesis is part of an emerging literature attempting to expand class power-based analyses while working to accomplish two important tasks: First, to provide the student of the state, regulation and crisis with a perspective that is growing increasingly sensitive to the workings of human agency within the structures of capitalist society; and, secondly to provide us with an ever more effective tool with which to penetrate beyond the limits of neo-classical, pluralist, organizational based theories as well as that of institutional economics

[These are discussed in some detail in Chapter Two below]. This work will add to the conceptual work on the nature of telecommunications regulation and expand upon what little literature there is in Canada dealing with the relationship between powerful class forces and policy outcomes. This approach will enable me to address silences in much of the existing literature as to the role of powerful economic forces in influencing policy at the state level.

A related contribution of the dissertation is that it is the first research in Canada to apply an instrumentalist approach to the role of elites and regulatory officials in telecommunications, and to deepen this analysis by linking it to structuralist relations of power in the capitalist state. The only similar work undertaken in North America is Dan Schiller's 1982 work Telematics and Government. Schiller's work centered upon the ways in which American policy-makers have tended to take a reactive role (as opposed to their own initiatives) in expediting the introduction of competition in U.S. telecommunications.

Schiller's work evaluates how the very largest prospective corporate users of competitive telematics (banding together into trade associations and other industry groupings for this purpose), have effectively worked to force the hand of policy-makers to respond to increasingly

insistent corporate demands for competitive, computerized telecommunications networks. My work expands upon the focus of Schiller in two important ways. Firstly, it focuses on the role of multinational corporate forces pressing for a continentalization of the Canadian and American economies. Although this is not a dominant theme in my thesis, it is an important one. Today in Canada, we are, in a very important sense, moving closer to an American style telecommunications market and network. My research into the struggle over resale, sharing and value added networks, the long distance competition debate, and the struggles over the direction of international telecommunications policy in Canada, will highlight many of the striking similarities between United States policy and proposals adopted by Canadian regulators and policy makers in the past ten years. This focus on continental forces is a necessary corollary to the focus on capitalist class forces in a branch plant economy.

Secondly, my thesis contains a much broader analytical focus on the state and its structural relationship to capital and different classes of telecommunications users. Schiller's work did not theorize change as much as this analysis does, as he was more concerned with focussing on one aspect of change to telecommunications--the role of large users. While my thesis surveys the large users and their

efforts in the telecommunications policy process, it goes beyond Schiller's instrumental analysis and locates them within their structural positions in the world economy. As such, my thesis not only adds the relational concept of class power to a literature such as that produced by Globerman and Stanbury, but it also expands upon the instrumentalist focus of Schiller by adding a structural component to the analysis.

This work also challenges the "monopoly-centric" view of Robert Babe (1990) in addressing the important actions of the one group of consumers powerful enough to shift the very terrain upon which the policy process and Bell's network is built. The methodology employed in this thesis, discussed below, not only breaks new ground theoretically, but it also makes an effort to assess empirical developments not possible in other forms of analysis. For example, where Babe's analysis has relied upon institutional economics, his work, although ground breaking and abundantly rich in historical detail, tends to lose sight of important actors other than the dominant monopoly in capitalist society and telecommunications in general. My work employs a similar institutional approach but one that adds an important theoretical element, that is, a structural view that includes a variety of players that affect the system of telecommunications and regulation. This includes other

powerful capitalist institutions and the structural demands of global capitalism as a system. Both substantively and theoretically, this project attempts to reveal these important structural factors that are often lost or concealed in other approaches.

(v) Primary Areas of Focus and Central Theme of the Thesis

Canadians have long depended on the efficient operation of a mix of private and public institutional structures to deliver universal telecommunication services at affordable rates. The importance of telecommunications for future economic growth, employment and social organization has become the focal point of much government and private sector concern (Canada: Science Council of Canada, 1982). My thesis will reflect upon past and current failures in this institutional structure which have led us to the point where the privileged position of goals of universality and affordability are being challenged by powerful forces currently at work in the telecommunications environment. Although there has been some movement towards both deregulation and privatization, by far the most relevant phenomenon in the current Canadian context is competition. Competition has become the key instrument of the powerful user groups seeking change to telecommunications policy in

Canada. Competition, of course, is not an end in and of itself for this powerful group. Competition is part of a greater effort on the part of multinational capital to press for overall economic restructuring in Canada. As such, competition in telecommunications is just one of a number of instruments (others would include the Canada-U.S. Free Trade Agreement), currently being used by powerful capitalist interests seeking to reform Canadian regulation and the provision of business systems and services in many sectors.

Such an analysis of the role of competition will ultimately permit a discussion of the breakup of public utility regulation in Canada as part of the emergence of a new market driven form of regulation. The convergence of the telephone system and computerized communications devices over the past three decades has produced an environment in which major corporations may maintain manufacturing facilities on one continent and raw materials sourcing on a second, and coordinate research and management functions from yet a third. Not surprisingly then, the drive for both increasingly powerful telecommunications technologies and the most liberalized policy environment possible to guide their implementation and usage has been led by the private sector. These key private sector players are among the world's largest businesses and represent the heaviest users of long

distance voice and data services. As many Canadian plants are branches of head offices located in the United States, a growing continental force has been added to these demands and changes. As the eminent Canadian economist Richard Lipsey has said:

The most important factor in ushering in the new economic order has been the communications revolution... In a very real sense, the TNC's [transnational corporations] make the traditional national political unit obsolete--at least to the extent that national governments wish to control their economic affairs... Multinationals reshape world economies (Lipsey, March 5, 1990:7).

Hills (1989) and Rideout (1991) have argued that since the United States was the first country to deregulate, there has been much pressure put on Canada and other countries to follow the American lead if non-American companies are to keep pace with their American counterparts who already benefit from a deregulated environment. Multinationals reshape worldwide telecommunications regulation as well as world economies.

The convergence of the traditional telephone system and computerized telecommunications technologies over the past three decades has resulted in an environment in which major corporations may operate on a world wide basis with up-to-the minute data and information at the fingertips of managers and corporate directors. Not surprisingly then, multinational corporations have been the central driving force behind the

creation, implementation and application of the new technology while calling for adaptations to existing systems to meet the demands for the new technology. Since these information systems are both highly profitable and capital intensive, a number of banks and financial institutions play a central role in owning, financing and using new telecommunications technologies. The boards of directors of Canada's major financial institutions are interwoven with those of CP-Unitel, Bell Canada, Rogers Communications, Telesat and Teleglobe (see Table 1-1, and Figures 1-1, 1-2, 1-3, 1-4, and 1-5 below). The role of private sector, interests, particularly those of the financial sector, cannot be ignored when assessing changes to telecommunications policy over the past ten years. Table 1-1 shows that CP-Unitel and Rogers Communications, the major "provider" challengers to the Bell monopoly are strongly tied to the major banks. Table also 1-1 shows that in all, twenty-four direct directorship interlocks exist between the top ten financial institutions in Canada and the central telecommunications carriers. Note how the five major banks in Canada have a total of twelve directors on the board of CP-Unitel. Figures 1-1 through 1-5 show the extent of integration between individual players in Canadian telecommunications and the financial sector.

The importance placed on the availability of increasingly competitive telecommunications equipment and services by powerful private sector intervenors has demanded the unprecedented attention of policy makers and regulators in recent years. The presence of growing continental pressures and demands from domestic sources for competition in the provision of telecommunications services provides the basis for the main concern of my thesis. Many policy makers, policy analysts, some regulators and the dominant group of telecommunications policy researchers in Canada, (see Stanbury (ed.), 1986), argue that increasing amounts of competition in telecommunications will benefit Canadians. As a leading neo-classical economist and telecommunications regulation expert in Canada has put it:

It is an urgent priority in formulating telecommunications policy to address the issue of efficient pricing in the industry. Policy makers must consider what a subsidy free pricing regime might look like in the telecommunications industry and how a transition from the current pricing regime to a more efficient one might take place. With a resolution of these issues, most other economic issues related to deregulating the industry would fall neatly into place (Globerman: 1986:64).

My concern is for which Canadians will benefit, which will lose and how changes may be related to North America and the restructuring of the global political-economy.

In its 1983-1985 bid to open the public long-distance

Table 1-1

Overlap in Boardroom Interlocks Between The Top Ten Canadian Financial Institutions and Major Telecommunications Firms (1991)

Rk.		Bank of Canada	Tele-globe	Telecom	Rogers	CP-Unitel	Total
1	Royal Bank		1		1	4	6
2	CIBC			1		1	2
3	Bank of Montreal					3	3
4	Bank of Nova Scotia					1	1
5	Toronto Dominion				2		2
6	C. des C.D.*						
7	Royal Trust			1			1
8	National Trust (Cdn)	3	1		1		5
9	Canada Trust	1					1
10	Sun Life				1	2	3
	Total	4	2	2	5	11	24

* Confederation des caisses populaires Desjardins

Sources: Finance of Canada, Directory of Directors, 1991
Financial Post, Canada's Largest Corporations, Summer 1991

Figure 1-1

Relationship Interlocks Between Bell Canada
and the Financial Sector in Canada

Source: Canadian Post, Directory of Directors, 1991

Figure 1-2

Direct Shareholding Interlocks Between Teleglobe
and the Financial Sector in Canada

Source: Financial Post, Directory of Directors, 1991

Figure 1-3

Direct Directorship Interlocks Between Telesat
and the Financial Sector in Canada

Source: Financial Post, Directory of Directors, 1991

Figure 1-4

Direct Directorship Interlocks Between Rogers Communications
and the Financial Sector in Canada

Source: Financial Post, Directory of Directors, 1991

Figure 1-5

Direct Directorship Interlocks Between CP-Unitel Communications
and the Financial Sector in Canada

Source: Financial Post, Directory of Directors, 1991

market to competition, CNCP Telecommunications (now Unitel) attempted to popularize the tone of this regulatory research:

Jack Sutherland, president of CNCP, said his firm hopes to have rates 10 to 20 per cent below what the telephone companies charge for calls linking Toronto, Montreal, Ottawa-Hull, Quebec City, Vancouver and Victoria. "There are many reasons we want to offer this service, and perhaps the most important is that we believe Canadians want the benefits of competition" (Brennan, October 26, 1983:E1).

Yet, experience is revealing that what we are getting in the name of competition is a non-competitive oligopoly-driven telecommunications environment which may benefit only a small number of heavy telecommunication users. As such, a central concern of this project is to investigate the process of the replacement of public networks and publicly accountable common carriers with private sector owned, market driven oligopolies with a minimum of public accountability. An important part of my thesis will document these processes and investigate the actors, policy makers and structures involved in the changing policy and regulatory process. For instance, despite the repeated claims made by some researchers like Stanbury and corporate executives at Unitel and its multinational telecommunications users, Canadians have expressed a significant level of satisfaction with their telephone system. In 1989, just prior to the launch of Unitel's third bid to break open the public long-distance

market in Canada, Gallup found that among a broad package of consumer goods and services, Canadians ranked local telephone service at the top of the list of items with which they were most satisfied (Blackwell, Financial Post August 23, 1989). Blackwell noted that a poll sponsored by Telepoll Research Inc. and the Canadian Imperial Bank of Commerce found that 92 per cent of Canadians were more satisfied than not with their telephone service. Canada Post did not do so well in the same survey with only 68 per cent of those answering the poll expressing satisfaction (Ibid).

My key focus in this analysis will be upon policy and regulatory efforts at the national level (CRTC and DOC) over the past two decades. This analysis will show how and why government regulatory efforts are failing the needs of the average Canadian telecommunications user. This phenomenon is illustrated through an examination of the efforts and impact of large telecommunications users to direct regulators towards a more competitive arrangement. I will examine the institutional and structural factors often overlooked in the Canadian literature regarding telecommunications policy. The fundamental themes that will be assessed in this thesis involve two main relationships: one, the relationship between the capitalist state, private capital and telecommunications technology and services; and

two, the relationship between economic crisis and telecommunications in light of state and private sector efforts to induce economic recovery.

The one underlying issue that ties together the assessment of these relationships may be conceived of conceptually as class power and empirically as the Canadian telecommunications agenda focusing on efforts to secure pro-competitive arrangements as part of a re-written social contract. The changes to the social contract are emerging out of the mix of state regulation, corporate needs and goals, and increasing corporate leadership in state regulation of telecommunications activities.

Although my main focus on class power in this thesis is on the ways in which the dominant class influences policy, I do not mean to imply that the exercise of class power is simply a top-down movement from economic elites through the state to the working class and POTS telecommunication consumers. Indeed, as Chapter Nine stresses, working class people and average telecommunications users can and do exert some influence on regulation and rate setting. There are several examples of this kind of exercise of working class power in the United States following the divestiture of the Bell operating companies (BOC's) from AT&T, and the introduction of competition into Message Toll Service (MTS)

and Wide Area Telephone Service (WATS) systems. Realizing what the corporate community had achieved, these groups fought hard to maintain universality and affordability. Groups like the National Rural Telephone Cooperative and the National Rural Telecommunications Organization succeeded in having government departments like the Office of Technology Assessment and various state legislative bodies respond to their demands. Although local and POTS rates have gone up across the board about 40 per cent while the rates paid by large corporations for long-distance and PANS have declined by about 30 per cent, the damage might have been much worse if not for working class users banding together and speaking out. Speaking on this effort, telecommunications analyst Vincent Mosco has said, "...and the only reason they [local rates] did not go up 200 per cent is because people howled" (Coulter, May-June 1992:58). Popular protest has mattered historically in telecommunications regulation [as Chapter Four illustrates] and it continues to matter today.

(vi) Chapter Outline

The thesis consists of three main parts. Part One, Approaching The Nature And Meaning Of Regulatory and Interest Group Activity In Canada: An Assessment Traditional Perspectives and The need For Alternatives, Chapters Two

through Four, provide the theoretical and historical background with which to understand better the case studies that follow in Part Two. Chapter Two, Traditional Perspectives On The State and the Policy Making Process, outlines the dominant ways of seeing telecommunications policy and interest group activity in the telecommunications policy process in Canada over the past four decades. The strengths and weaknesses of public interest or pluralist theory, economic capture of regulatory agency theory, and organizational (managerial) theory are each outlined while the need for more structurally oriented theoretical foundations is presented. This chapter also reviews literature on the role of interest groups in Canadian politics and policy, including works by Langille, Litvak, Robert Prestus and others. At this point the reader is introduced to the utility of a "regulation perspective" which focuses on class power as a way of addressing silences and gaps in the Canadian literature--the major silence here being the failure to consider the relationship of class power to telecommunications policy formation and regulation in capitalist society.

Chapter Three, Critical Theories of The State-Capital Relationship and Policy Making presents an alternative to the mainstream or "administrative" theories presented in Chapter

One. Here the substantive roles of the state and private capital in the historical development of telecommunications in Canada, the core theme of telecommunications regulation/class power is approached conceptually through a review of significant literature on the state and state/capital relationship from a materialist perspective.

This chapter also outlines the work that has already been done on the state/capital relationship by those working in what may loosely be termed the tradition of the French Regulation School (hereafter referred to as the regulation school or regulationists). Chapter Three points to the strengths and weaknesses of the regulation approach for assessing telecommunications and telecommunication policy in Canada. Much of this chapter takes the form of a review of a diverse and interrelated body of literature covering: one, the political economy of communication focussing on conceptualizations on the interaction (especially that which focuses on the relationships between structures of corporate power and telecommunications technology); two, Canadian efforts to apply the work of the regulation school, (especially Jenson's work focussing on the relationship between class power and policy influence); and, finally, a related body of literature, mainly that of Clement, on a relational view of classes and a class power perspective.

Important insights are drawn from the work of Simon Clarke in England as well.

Chapter Four, The Evolution of Telecommunications On the Agendas of the State and the Private Sector: Changing the Rules to Fit the Structural Demands of the Day, deals specifically with telecommunications policy and regulation including: (1) An account of the current place of telecommunication on the agenda of state and private sector agencies. This is accomplished through a brief outline of the emerging importance of telecommunications alongside the demands of heavy users for an increasingly competitive environment; (2) An assessment of telecommunications regulation by the state in Canada (including a mapping of the government arenas); (3) An account of the rise of large user organizations and increased private sector participation in CRTC and DOC policy and regulatory initiatives, identifying and mapping the key corporate players; and (4) A review of the various cases before the CRTC and policy initiatives of the DOC over the past 20 years emphasizing that we have seen a consistent trend towards a more competitive, American approach to policy.

The main purpose of Chapter Three is to set the historical context for discussing important issues today, while outlining the close relationship between competitive

ideology and the increased activity of the large user groups before regulators and other government bodies, and presenting an understanding of the way in which telecommunications has been viewed in relation to a social contract in Canadian politics and regulation, so that we may better understand the changes being proposed to this long standing philosophy today.

Part Two of the thesis, Remaking Canadian Telecommunications Policy, consists of Chapters Five through Eight. These four chapters form the empirical component of the thesis. They illustrate the emergence of a new social contract in Canadian telecommunications involving the breakup of the traditional public utility model of regulation, and they consider important questions about the ways in which the market-driven model has been brought forward as a central way to manage the fundamental contradictions that led to telecommunications being regulated in the manner that it was in Canada for so long.

By examining changes in regulations governing resale, sharing and enhanced services (Chapter Five), efforts to introduce competition to the public long distance market (Chapter Six), the reorganization of Bell Canada (Chapter Seven), and changes to Canada's international telecommunications policy (Chapter Eight), we will see that the

multinational corporate user community has achieved a great deal of success in reshaping Canadian telecommunications policy.

Part Three: Towards The Future, Chapter Nine, Towards the Future, assesses the implications of these changes to Canada's telecommunications policy from a theoretical perspective developed in Chapter Three. Chapter Nine reviews the main and secondary conceptual and empirical questions and findings of the thesis and briefly assesses the new telecommunications act [Bill C-41] in light of these findings. This chapter takes into account the possibilities of the success of working class struggles to maintain universality and affordability as primary policy concerns in the future. This concluding chapter also points to further research that could be done to further understand the full implications of present changes.

P A R T O N E

APPROACHING THE NATURE AND MEANING OF REGULATORY AND
INTEREST GROUP ACTIVITY IN CANADA: ASSESSING TRADITIONAL
PERSPECTIVES AND THE NEED FOR ALTERNATIVES

Nothing is more dangerous than to manage
the establishment of a new order (Niccolo
Machiavelli, The Prince, New York, Bantam,
1974).

C H A P T E R T W O
TRADITIONAL PERSPECTIVES ON THE STATE AND THE
POLICY MAKING PROCESS

(i) Introduction

This chapter outlines the traditional ways of seeing both the activity of interest groups and the role of the regulatory apparatus of the state in the telecommunications policy process in Canada. This literature emerges from a wide variety of sources including private sector firms, consulting operations, government bodies and various academic fields. The latter include Schools of Regulatory Studies, Communication, Economics, Political Science, History, Sociology and Public Administration. The two main groups of literature discussed in this chapter pertain to approaches to public policy making in Canada and traditional views of the role of the state.

This thesis is primarily concerned with state theory but it also addresses concerns discussed in the related "policy" literature. As such, the discussion of state theory is prefaced with a brief review of the various perspectives on public policy. Following this is an examination of the theoretical and methodological assumptions of the literature on the state and policy making (public

interest literature, capture theory and perspectives which focus on the activity of organizations themselves). This discussion ends with an assessment of the need for more structurally oriented theoretical and methodological foundations for research that better account for the role of class power amongst the activities of interest groups and the regulatory apparatus of the state. A detailed explanation of the regulation model as a "critical" alternative to the traditional body of "administrative" writing on regulation and interest group activity is the subject of Chapter Three.

(ii) Approaches To Public Policy In Canada

For some time a view has persisted, especially in official circles, that seeks to reconcile interest group activity with traditional notions of majority-rule liberal democracy. This view serves as the basis of the pluralist perspective on interest group activity which continues to view the political spectrum as a vast marketplace of competing groups, each with particular demands. The role of government according to this view, is to listen to all sides and arbitrate on behalf of the common good. In this utilitarian-pluralist view, the prime function of the governmental regulatory apparatus is to act as a broker in ratifying bargains struck amongst rival interests. Pluralist

researchers have directed attention to the search by senior bureaucrats and the political elite for legitimating consensus to justify policy, and serve as the foundation for government stability and the maintenance of office. Such a view dominates telecommunications policy research in Canada. Within this perspective, interest groups are seen as passive participants. Many have undertaken work to reveal the oversights of the pluralist perspective. In Canada this includes the research of Mahon, Pross, Noel, Paltiel, and some work from a corporatist and a "government overload school".

Neo-Marxists such as Mahon and left liberal critics such as Pross and Paltiel argue that the prime weakness of pluralism is its failure to take account of the unequal bargaining power of particular groups. Pluralists are criticized for their failure to account for the unequal distribution of, and restricted access to, resources and information. This reality is said to favour participants from the business sector.

Paltiel (1985) argues that the pluralist reconstruction of democratic theory has also been undermined by the growth of the interventionist state which he argues is not a neutral arbiter. Pluralism's oversights have not prevented it from remaining the dominant view and most accepted of

establishment ideologies. Aside from pluralism, Paltiel identifies three main schools of thought (a neo-Marxist school, a "government overload" school and corporatism 1985:198-210). Paltiel argues that the neo-Marxist school emphasizes the unequal bargaining power of groups, advantages enjoyed by economic elites, and the skewed character of the outputs. Mahon's work sees Canada as an advanced capitalist state with a well organized and highly linked capitalist class, the organization of a significant portion of the working class, substantial direct state intervention in the economy, transfer of the state's power to the executive, and the concomitant development of a professional or "bureaucratic civil service". Such a view sees the state playing a fundamental role to harmonize conflict and work to subdue class struggle-- a role which is facilitated by the state's relative autonomy. Mahon rejects the pluralist notion of the state as a neutral broker as a masking of the true nature of the political process. The linkage of Mahon's policy research to regulationist theories of the state will be dealt with below.

According to Paltiel the governmental overload school emphasizes the multiplicity of conflicts and demands on the state and how they cannot all be met due to the demands on the state of inflationary economic pressures. This group is

preoccupied by the threat to the stability of liberal democratic regimes, and fixes the blame on excess demand for public services and the excessive growth of public sector institutions with their alleged rigidities. The solution is said to lie in the lessening of expectations and smaller government. As Vincent Mosco has noted, many thinkers among this group worry about "excesses of democracy" (see Mosco, 1982:23). Literature on the state from this perspective is discussed in the section on organizational or managerial theory below.

Paltiel along with Marchak (1985) argues that Canada has witnessed the emergence of a corporatist ideology during the 1980's. Corporatism, in brief, is an ideology of "legitimate authority", the natural hierarchy of people and skills, and the subordination of the individual not only to society in general but to the state. There were strong elements of corporatism in Roosevelt's New Deal as well as current political practice in countries such as Sweden. Little has been written on Canadian telecommunications from a corporatist perspective and as such it is not dealt with in any great detail in this thesis.

Pross's work on interest groups and the rise of bureaucracy, Noel's work on clientelism and bureaucracy, the work of Presthus on elite accommodation, Paltiel's effort to

develop a "pressure model", and Mahon's neo-Marxist analysis provide us with an understanding that there has been a shift of power towards the Cabinet, and all agree that the bureaucracy plays an increasingly important role, especially at its senior levels in ministerial departments, central agencies, regulatory commissions and public corporations.

The meaning of public policy is best derived from its context. Public policy is often thought of as simply the actions taken by the state in the service of the public interest (Wilson, 1981:4-5). As the work of Mahon reveals [see especially Mahon 1980] such a distinction between public and private spheres is far too arbitrary given the course of western capitalism in the late twentieth century. To conceive of the state as a structure necessarily involves a rejection of the notion of "state power" as something separate from "class power" (Mahon, 1979:167). Governments do have real policy possibilities and choices to make, but governments exist within a society influenced by economic constraints. The relatively autonomous state must conform to the day to day exercise of economic power and the long run interests of the established economic system of accumulation. Issues of class and the role of the private sector are pivotal to our understanding of the functioning of the modern state and its policy options. Among the first to begin to

set an agenda for policy research along these lines in Canada was Richard Simeon. Simeon (December, 1976) treated public policy as the "stuff of politics" while he called for a broader approach including "first order" questions of politics, ideology, power and the capacity of the state to mobilize consent and manage conflict (see also Murray, 1985:18-19).

While traditional Canadian pluralist's [such as Presthus or Pross] tend to view policy as the result of bargaining in the interests of the many, Porter and Clement among others have illustrated that policy tends to emerge out of conflict serving the interests of the few. Such efforts have elaborated an understanding of class stratification in the policy process. I have found in the research for this study, that such a focus on class and stratification bring us closer to an understanding of the ways in which the state embodies the class struggles embodied in the economic relationships of capitalist society. More than a functional response [as in Simeon] the state is thus understood to be embroiled in the structural relationships of power in capitalist society. Where Simeon seeks "process" this study seeks to appreciate responses to structural relationships within a class based system of power. This thesis will build on these efforts in an attempt to show that despite the important role played by

regulators and the dominant corporate players, emerging competitors, supported by a powerful multinational telecommunications user community, also play a vital role in the current changes to Canadian telecommunications policy.

Prior to undertaking this empirical analysis it is important to discuss the dominant theories of the state and policy making in Canada and the theoretical and methodological assumptions of each. Following this discussion, Chapter Three will offer an alternative theoretical and methodological conceptualization as employed in this study.

Although telecommunications now occupies a central place on the agendas of state and private sector institutions, the academic literature on the relationship between the state, private capital and telecommunications is limited. In Canada, research on the relationship between these factors and the further relationship between telecommunication and proposals for recovery from the recurrent crisis of Western capitalist economies is almost non-existent. A very notable exception is the political-economic analysis of Vincent Mosco in his recent book the Pay-Per Society. Aside from Mosco, literature directly seeking to understand the relationship between the state, private capital and telecommunications from an institutional or structural perspective is limited to

some of Mahon's (1980) early work, and some of the recent efforts of Coleman and Atkinson.

The strength of the Coleman-Atkinson position is to be found in their effort to penetrate beyond traditional concerns in policy analysis as well as to acknowledge the importance of looking beyond instrumentalist views to incorporate a broader model and seek to understand the role of intra-capitalist and elite-state conflict. My project takes some of this momentum generated by Coleman and Atkinson towards a broader approach and builds upon their assessment. Where my analysis exceeds the limits of their position is in its effort to place changes to Canadian telecommunications and society within the structural demands of the global economy. Coleman and Atkinson's study is more directed towards corporate responsibility in a national economy. My analysis seeks to understand the logic of multinational corporate policy initiatives in a more global context. My main focus is on the "national" but within the context of a number of domestic and international forces surrounding the national dimension. As such, [see Chapters Three and Four], the relationship between the state and private capital is very important to this analysis.

Too often during the 1980's, Canadian researchers, especially in the area of technology and communications, have

refrained from examining the state-capital relationship in its substantive and theoretical manifestations. For example, in her thought provoking study of the communications and information sector in Canada (1984), Robin Mansell announces that "there is no effort to explore in detail the theoretical relationship between the state and the private sector as illustrated in the communication/information sector".

Mansell's otherwise capable study could only have benefited from such an analysis. In the case of my thesis, I will be undertaking such an analysis of the state-capital relationship. This assessment will include the relationship of the state to domestic interests as well as the often conflict ridden relations among multinational capital, domestic capital, large and smaller consumers and the state. The policy literature, especially that concerned with interest groups, also needs to be deepened and extended. Prior to examining each of the theoretical positions in more detail it is important to briefly discuss the differences that exist between "administrative" and "critical" research.

(iii) Administrative vs. Critical Research

Drawing on the work of Smythe and Van Dinh (1983) and Melody and Mansell (1983) we can understand that "administrative" and "critical" researchers differ in terms

of:

- 1) what the researcher understands to be "a researchable problem",
- 2) the research tools to be employed, and
- 3) the ideological presuppositions of the researcher him/herself.

According to Smythe and Van Dinh, administrative researchers tend to define appropriate research problems in terms of how to make an organization's existing activity more "efficient" (how to better sell a product or make workers more productive). In Canadian telecommunications research this focus is illustrated in the work of Globerman and Stanbury (see Globerman 1986; Stanbury 1986). Such research is aimed at finding ways to make the existing system of production and regulation more efficient. When issues such as subsidization are approached, they have been considered consistently from the view of the dominant corporate class. That is, Globerman and Stanbury have focussed solely on the ways in which PANS telecommunications services subsidize POTS users without any consideration of the ways in which other forms of subsidization from POTS to PANS users occur (see especially Globerman, 1986:42).

Critical researchers are less interested in making the status quo more efficient than they are motivated by the prospect of reshaping existing institutions or creating new

ones geared to meet the collective needs of the relevant social community as a whole. My work falls into this critical category. Rather than seeking to address only the concerns of the most powerful economic interests, my study will also assess the needs and desires of less powerful users of telecommunications technology. For researchers working within one of the administrative approaches, evidence normally is derived only from "official" government or corporate sources. In a critical project such as this thesis, evidence is sought from all parties participating in the telecommunications struggles currently taking place. The voices of workers and ordinary POTS users are given equal place beside those of corporate and governmental elites while distributional concerns, i.e. who gets what at what cost, in our collective telecommunications future are considered alongside traditional concerns for corporate efficiency. Where Globerman and others attempt to refute the existence of "political" choices in data collection (Globerman, 1986:42), this thesis acknowledges that some research choices have political implications [such as the choice of central questions and concerns]. This critical approach welcomes with open arms the notion that research is always for a particular constituency.

Critical research, certainly the kind employed in this

paper, seeks out evidence that is suppressed or omitted by dominant ideologies. It embraces difficult political questions and attempts to understand the human historical actors in the telecommunications struggle in the structural political, economic and social context of the times we live in. As such, evidence is garnered from sources long held silent by the dominant administrative approach to telecommunications research. If research is to be solely about efficiency of the status quo then no alternative voices need be heard. If research is for a broad range of citizens living in a democratic community then a broad range of voices should be allowed to speak. Much of the problem to date is concerned with what Coleman describes as capitalism's ambivalence towards democracy:

Capitalists possess ambivalent feelings about democracy. On the one side democratic politics provides the mechanism for divorcing the role of the entrepreneur, profit maker, and employer from that of the political decision maker. The logic of the interaction between a market economy and liberal democracy produces, by definition, a privileged position for business (Coleman, 1988:261).

In terms of research tools, Smythe argues that administrative researchers tend to apply a statistically oriented neo-positivist approach whereas critical researchers attempt to develop a more contextualized assessment of the data within an historically informed, materialist analysis of

the contradictory forces at work in the society in question. Whether or not this is true is open to debate. More central to our concerns here are issues of ideology and methodology. By "administrative ideology" (and here we get at the real basis of the differences), Smythe and Van Dinh refer to the linking of administrative type problems and tools, with an interpretation of results that either supports or does not seriously challenge the structural underpinnings of the dominant system of capital accumulation. Often, argue Melody and Mansell, the research problem of the administrative researcher is defined by government or corporate elites who set the framework for the research to be undertaken (1983:109).

By "critical ideology" Smythe and Van Dinh refer to the linking of critical research problems and tools with interpretations that challenge the structure of inequality in capitalist society, and in doing so challenge the privileged positions of corporate elites who fund and support administrative research. As such, Smythe and Van Dinh argue that critical research opens the terrain of political struggle, and demands that the researcher understand the political underpinnings of his/her own work:

Those scientists most emphatically uninterested in politics are often the most partisan by virtue of the values involved in their work. And our ideological predispositions are linked to the

choice of problems and the choice of research techniques we employ (Smythe and Van Dinh, 1983:117).

Since research does carry so many implications for social policy, it is important that researchers not exclude categories of conflict, inequality, institutional incentives or power. If these categories are excluded by research then they need not be addressed by policy makers and regulatory decision makers (Melody and Mansell, 1983:108). Administrative research includes the bulk of the work undertaken by pluralists, capture theorists and organizational/managerial theory discussed below.

(iv) Three Administrative Approaches To the State and Telecommunications Policy Research in Canada

(a) Public Interest Theory: Neo-classical Economics and Pluralist State Theory

Closely linked to the assumptions of neo-classical economics, public interest/pluralist researchers see power as widely dispersed and competitive capitalist market economics as providing the widest basis for optimal social welfare. As in the research on interest group activity, pluralist state theory sees a large variety of groups having equal access to the decision making process of the state. For pluralists, power is situational--"it operates in specific circumstances over specific issues" (Mosco, 1989:95). In

this view the state is one among many organizations around which coalitions of competing interests seek redress. The state is said to be a neutral arbiter which is itself held together by a legal structure and an organizational culture that serves the public interest by reflecting widely held values in society. These values are the basis upon which decisions are made in response to the competing demands of various groups in an impartial manner. (Dahl, 1956 and Mosco, 1989:95). Closely linked to the "official" view of legislators, the public interest theorist or pluralist sees regulation as being established to solve the conflicts of the past between private corporations and the public. Regulatory agencies such as the CRTC are viewed as the concrete expression of the spirit of reform and democratic principles.

In Canadian research the pluralist position has been brought forward by Doern who asserts that "regulation can be viewed politically as a rule of behaviour backed up more directly by the legitimate sanctions of the state" (Doern, in Jackson, Jackson and Baxter Moore, 1986:594). For Doern, the neutral state is said to be mobilized through the struggle to create administrative apparatuses which will serve the democratic public interest. Pluralists like Doern suggest that regulation of this sort is said to work because it is non-partisan and scientific (see Horwitz, 1989: Chapter

Two).

More directly related to telecommunications has been the pluralist work of political science by Woodrow and Woodside. Prior to evaluating their work it is important to understand the neo-classical underpinnings of much of the political-economic thought underlying pluralism.

Neo-classical economic theory,¹ as it has been applied to various telecommunications debates in Canada, derives from three main assumptions: (1) Competition and open market entry [in an environment of limited government regulation and market driven public policy making], lead to the most cost efficient production of services for consumers; (2) The market, while a superior regulator in most instances, cannot and should not be expected to provide service to all potential customers; and (3) A marketplace unencumbered by government regulations will provide a highly competitive, technologically advanced telecommunications network with more fair rates for large volume corporate users and an ensuing trickle down effect for the general population (Babe/CRTC, 1983:14).

The policy objectives deriving from the neo-classical position can be captured in one phrase, "economic efficiency". The reasoning follows the line that if public policy decision makers pursue economic efficiency as a goal,

and markets therefore become truly competitive (in accordance with the assumptions of neo-classical economic theory), then society will attain the highest level of social welfare, all other things being equal. In this view regulation is portrayed as a costly deviation from the natural workings of the mechanisms of the market. But as the recent history of telecommunications in Canada teaches us, "other things" are seldom if ever equal in a capitalist society. Income redistribution, universal access to an affordable telephone system or social programs to aid the poor may be inefficient to the economist, but still be socially appropriate responses to alter the negative effects of pure competition. Indeed, as Canadian businessperson William Bolter has argued, there are conditions under which competition results in reduced levels of social welfare and necessitates further government intervention. Nowhere is this more strikingly apparent than in the case of American telephony in the post AT&T divestiture era of competitive long distance services. Several states have already begun what amount to telephone welfare programs to compensate for the numbers of low income earners who were being forced off the former public network (Bolter in Salter, 1988:7; see also Mosco, March 1991).

The assumptions of the neo-classical economists have set the framework for a wide body of administrative research in

the pluralist state theory tradition. Within this work the problems for researchers are most often defined by the needs of key corporate players as represented by the term "free market". This research is committed from the outset to making the dominant system more efficient. Questions involving cost and price efficiency are largely determined by would be competitors in the provision of telecommunications services and/or the large user groups who support their competitive efforts. This research is often undertaken by consulting firms and planning specialists, [see for example, Peat-Marwick 1984], employing a range of neo-positivist techniques within the administrative framework at the most abstract level of analysis. By focussing on the level of economic exchange the research produced is often devoid of social context, is ahistorical and provides a level of understanding only at the most objectified (market relationships) level of analysis.

Babe has criticized this body of research for its failure to understand that the market itself is a social product. For Babe, market forces serve as the context within which property is exchanged as set down by the legal system. The market is based on many laws which exist to deal with contracts, bankruptcy, sexual or racial discrimination and so forth. Each of these laws forms the parameters of what the

market may and may not do and each has a distinct impact upon the workings of the market. In Babe's view, laws are a form of regulation and the market cannot function without some boundary in law. Therefore, he argues, the market is one form of regulation. There is no such thing as a market free from government influence or direction. Each article, service or commodity exchanged in a market represents a multitude of claims and obligations for producers, consumers, and third parties. The state, in this view, is always present in defining which of the potential claims it supports and for whom (Babe, 1983:8). This argument presents us with a market that is never free of the state and which is the result of the workings of institutional processes. The market is a social product.

In Canada, the neo-classical tradition of research in telecommunications is largely upheld by William Stanbury, Steven Globerman and Hudson Janisch. Globerman has criticized the opponents of neo-classical research for offering what he termed "political arguments". Yet, in the neo-classical research, especially that of Globerman and Stanbury, there exists a distinctly neo-positivist silence on the direct political implications and pluralist underpinnings of the state theory behind their own work. Globerman has even gone so far (1986) to criticize his opponents for the

"political" act of appealing to less wealthy users of the telecommunications system such as Saskatchewan farmers. Yet no mention is made that his own work is very much in accord with the sentiments of some of the wealthiest users of telecommunications systems and services in Canada. Seeing rural users as political, yet failing to identify CP-Unitel or major user groups as themselves important political institutions in Canadian society, is seeing telecommunications in Canada through a set of administrative and neo-positivist glasses owing a great deal to the assumptions of the neo-classical framework.

Another important and related silence in the work of the Canadian neo-classicists involves a lack of analysis of questions pertaining to class power and inequality in Canadian society. The methodological predispositions of the neo-classical researchers and their neo-pluralist state theory allows for the movement from neo-classical assumptions to the definition of research problems in accordance with the dominant corporate/governmental view lacking a structural vision of totality. The labour and production side of telecommunications is neglected as are the potential corporate goals of large user groups in efforts to restructure long standing political economic and social institutions as the Canadian telephony system. Problems of

class, power, inequality and human agency are passed over in favour of questions of price/cost efficiencies, productivity and worker motivation. In a country where class inequality is well documented (Clement 1975, 1977), the neo-classical researcher treats all telecommunications "consumers" as equals before the regulators just as all groups are treated as equal before the "neutral" state in pluralist theory. Due to the neglect of an examination of the linkage of politics and epistemology in their research, neo-classicists can define research problems that attempt to streamline the status quo which already greatly favours the interests of economic elites while claiming neutrality. As one business person interviewed in Salter (1989) put it, the neo-classicists work in a highly sterile environment that fails to probe the many important social costs of so-called efficiencies (Salter, 1989:83-4).

Working within the boundaries for the traditional pluralist perspective on political power, Woodrow and Woodside provide the most thorough assessment of telecommunications issues, stakes and players to date from Canadian political scientists. Their 1986 paper "Players, Stakes, and Politics in the Future of Telecom Regulation In Canada" argues that, until recently, government in Canada has played only a minor role in issues pertaining to

telecommunications. It is their belief that politics has now emerged as such a vitally important aspect of the telecommunications debate that political parties and Parliament will have much to do to resolve the emerging conflict. Woodrow and Woodside sacrifice tremendous ground to the neo-classicists in their assessment of the need to move all telecommunications prices closer to their actual costs. Yet they acknowledge who the clear winners will be from such efforts:

The present beneficiaries of the cross subsidization are not a clutch of relatively insignificant interest groups but the public at large and, while all consumers would receive offsetting benefits through lower long distance rates, the majority of benefits would go to a small number of large users (1986:244).

Although they admit that the "process of moving prices towards costs in all areas is a process which is not likely to occur quickly and painlessly" (243), Woodrow and Woodside feel that the dominant corporate players in the struggle can make great gains towards rate-rebalancing if governments can be convinced to work towards pro-competitive policy alternatives (*Ibid*). According to Woodrow and Woodside, changes favoured by the dominant corporate order are both necessary and inevitable.

The pluralism of Woodrow and Woodside's research derives directly from the political theory of Easton and Laswell. In

this view, politics is a mechanism for achieving the "authoritative allocation of values for a society". As with the neo-classicists, Woodrow and Woodside's perspective provides us with an elite oriented functionalist assessment which largely avoids issues of power in capitalist society and its policy making arenas. The work of the public interest theorists steeped in neo-classical economics and pluralist conceptions of power reveals how the ideological predispositions of the researcher are directly linked to both the choice of a research problem and the choice of sources of information and data for a study. As Halloran has put it: the most fruitful kind of communication research locates users and publics in their proper place within their proper social and historical movements (1983:270).

Another important problem with pluralist approaches to the state and Canadian telecommunications policy has been the reliance upon technologically determinist arguments as typified by Woodrow and Woodside. "Technological determinism" refers to a view which sees the economic, political, social and cultural developments as directly attributable to the technological change itself. As such, a technological determinist sees technology as independent, exogenous, inevitable, and in the long run, beneficial. As Noble has put it:

Insofar as social analysis merely replicates such a perception of reality without penetrating beneath the apparent technological necessity, it further contributes to the general mystification and reinforces the particular social relations which are thereby obscured...modern technology has remained a phantom, a conveniently vague device for explaining historical developments by explaining them away (Noble, 1977:xxvi, xviii).

Woodrow and Woodside's pluralist analysis falls into this technologically determinist trap. Drawing on the work of Marc Porat (1978), Woodrow and Woodside view "technology" at the "big wheel" that drives all the other little wheels (politics, economics, ideology). Where this thesis penetrates beyond the scope of this determinism in particular, is in its effort to reveal the political economic position of those in society who fund technological development and implement its usage. This study illustrates the way in which politics, economics and ideology drive technological development and policy making to regulate it in Canada. A political science approach such as pluralism, when devoid of efforts to understand the functioning of class inequality, fails to understand that "technology and policy are part of a set of specific concrete patterns of social, political, and economic relations" (Garnham, 1983:314).

The increasing growth of corporate power has led some seminal thinkers in the pluralist camp to re-evaluate their classic positions. Dahl, for instance, now argues that

"corporate capitalism" tends "to produce inequalities in social and economic resources so great as to bring about severe violations of political equality and hence of the democratic process" (Dahl, 1982, in Mosco, 1989:97). Such a rethinking of the basic political economic relations and their impact on governance and policy making has yet to occur among pluralists doing research on Canadian telecommunications.

In Canadian telecommunication research then, the public interest theorists working from a pluralist perspective on the state and neo-classical economic theory include Stanbury, Globerman, Janisch, Shultz, Woodrow and Woodside. These researchers see the inputs generated at the regulatory level (interventions before the CRTC by regulated companies, potential competitors, citizens' groups and policy experts), in the classical pluralist fashion. The CRTC is viewed as a semi-autonomous arm of the federal state which sits as a neutral arbiter before those groups who bring forth conflicting demands. The state, via its regulatory apparatus applies various forms of economic regulation while setting limits on market entry and market exit within the context of socially relevant policy goals.

A central weakness in this literature is that it does not consider the role of the regulatory agency as an agent

embodying class power, but rather, as a power agent acting as a neutral arbiter in a telecommunications conflict. As Mosco (1982) has argued with reference to the Federal Communications Commission in the United States, pluralists see the regulatory agency itself as the actual seat of power because it is the repository of final decision making (Mosco, 1982:22). Such a view allows pluralists to overlook how corporate power is translated into agency decisions through a variety of means (as will be discussed in the next chapter on structural theories of the state). This discussion will further reveal how pluralists fail to understand that economic elites have an advantage over non-elite groups before the state in terms of what makes it onto the regulatory agenda. Rather than serving a neutral decision maker we will see that the state serves as a channel of tremendous elite forces providing a protective environment in which elites may flourish. In short, by seeing all "consumer" interests as equal, and as the "public interest" at large, pluralists fail to account for inequalities of class power and the ways in which these forces become translated into regulatory decisions.

(b) Neo-Populist Economic Capture of Regulatory Agency Theory

Robert Babe argues that efforts to restructure

telecommunications rates and to promote competitive services need not be viewed solely in the framework provided by pluralists drawing on neo-classical economic data. Babe's method is distinguished from such an approach in two important ways: (1) Babe's framework is sensitive to historical context, and (2) throughout his research Babe attempts to see the role of human agency in understanding the emergence of new technologies and new policy initiatives. Although his analysis falls short of a more thoroughgoing structural analysis of all the key powerful players involved in the current policy process, Babe's work represents a significant departure from the pluralist and neo-classical framework employed by the bulk of public interest researchers. Babe provides a thoughtful analysis of current efforts on the part of Bell Canada to restructure telephone rates. He argues that restructuring is an old practice at Bell that has been employed many times to thwart actual and potential competitors (1990:121-126). If a threat to universal service exists today, Babe feels that it is posed by the Bell monopoly as much as any other key player. Babe's evidence is drawn from a wide body of archival sources that seeks to de-mythologize the telecommunications debate in Canada. He seeks to provide a fresh new interpretation of the power of the Bell monopoly to influence tele-

communications policy and practice.

Babe's research process is guided by a neo-populist view of the political arena and a series of assumptions derived from institutional economic theories. These assumptions lead him to examine the power of the dominant player (Bell Canada) to control its particular market. In this, the neo-populist focus is on power more than profits and efficiency. In an important way, his work adds the notion of power to neo-classical economic analysis although this is a theory of "monopoly power" rather than "class power". Although such an approach allows Babe to probe deeper into power relations than the public interest theorists, it also confines his focus too much on the monopoly player. In this, Babe does not undertake a wider assessment of the other bloc that is equally as powerful as Bell in the telecommunications debate--the groups of large corporate users of telecommunications services. In a broad sense, Babe's work fits well within the parameters of the "captive agencies" approach, his recent work certainly leans more in that direction (see especially Babe, December 3, 1991). As I will discuss in Chapter Three, my work builds upon some important insights garnered from Babe and others. In particular this thesis will seek to understand how it is that an agency such as the CRTC acts as an agent of hegemony (Mahon, 1979).

Through such an analysis this thesis will suggest ways in which regulation plays a key role in terms of modifying the rights of powerful and often conflicting capitalist interests, while maintaining the long run stability of the dominant system. Each of the empirical case studies [Chapters Five through Eight] will develop this theme which is analysed in some detail in Chapter Nine.

As Babe goes about the research process we find him located about mid-way between an administrative and a critical theoretical framework. On the one hand he is interested in the needs of small consumers as well as larger users of telecommunications, but on the other hand he ignores the power of large user groups to shape policy.

Timothy Haight in the United States works from a similar framework to that of Babe. Haight is also critical of the failings of the dominant telephone monopoly but he goes beyond Babe's assessment. Haight extends the argument to probe the power of large user groups and points to the existence of industry elites who have come to serve as policy elites. In this, Haight criticizes American telecommunications policy makers for moving away from laws that protect average citizens towards laws that promote the interest of the large corporate user (1979:248-49).

Both Babe and Haight see the public interest as being

perverted by powerful forces at work in the telecommunications policy process. Babe, more than Haight, tends to see the CRTC as being "captured" by the interests of the Bell monopoly. As Babe accepts this argument: "The regulators recognize that the better part of wisdom is not to abolish regulation, but to utilize it" (Adams and Brock, 1986, cited in Babe, 1990:18). Although this assessment is not expressed in terms of a conspiracy, Babe sees the process of regulation as one through which Bell has been able to satisfy its growing corporate needs over a number of decades. In this view, Babe sees the CRTC as largely captured by the telephone monopoly so that we are left with a view of government regulation serving as government sponsored protection of the Bell monopoly's interests. Bell has been able to dominate its market by being able to convince the regulator of the necessity of both its monopoly status and its rate and pricing policies. This does not go as far as the views of some like George Stigler (1965, 1982; Gilder, 1981), who see regulation as little more than simple cartel management, but it does go some distance towards viewing regulation as essentially designed to promote the interests of the monopoly player.

As a neo-populist theorist Babe presents us with a state agency (the CRTC), that has been fairly well captured by a

highly organized dominant firm. The strength of this approach is that it is much more concrete than neo-classical economics and less politically naive than traditional pluralism. This research is specific and steeped in historical context. It begins to get at the power framework that surrounds the policy process and provides a thought provoking understanding of the role of dominant firms and groups of firms. However, this work does not account for the emergence of the regulatory agency in the first place nor does it penetrate deeply enough into the relationships of all the powerful players seeking to influence the policy process.

(c) Organizational Theory

Organizational theorists, unlike public interest theorists, do not see the state as necessarily acting in a neutral fashion. Rather, the focus here is upon solving the diverse organizational needs of the various apparatuses that constitute the state. This view also known as managerial theory, see Mosco (1989) in particular, restores a sense of independence and autonomy to state agencies of which neo-pluralist theory loses sight. What falls under the heading "organizational theory" is really not one unified body of thought, but rather, a number of theoretical contributions emerging from a loosely identifiable group of studies of

regulatory behaviour. The one similarity in all of these efforts is the understanding that organizational imperatives are the key variable for those wishing to understand regulatory behaviour (Horwitz, 1989: chapter two). The bulk of organizational theory derives from Max Weber's early sociological studies on the rationalization of organizational bureaucracies. Weber observed that large organizations tend to "maximize efficiency through hierarchical authority relations and the application of calculable rules by trained experts, while exacting complete loyalty from people and reducing them to dependent and depersonalized cogs in a machine" (Anderson, 1971:178).

Bureaucratization is to Weber and later organizational theorists what class and power are to Marx and the structuralists outlined in the next chapter. Weber's work was among the first to understand how organizational bureaucratic imperatives can displace democratic aspects of government in favour of the requirements of small homogeneous units of bureaucratic power (*Ibid*).

Where the pluralist sees power as situational, dependent upon the specific events and circumstances in question, the organizational theorist sees power as structural--as embedded within the rules of the organization in question (Mosco, 1989:98). Winners and losers in the policy process are not

as important to those working from an organizational perspective as is the question of who actually controls the policy agenda. As such, the analysis of Woodrow and Woodside, discussed above, although deriving mainly from public interest/pluralist perspective, also contains elements of organizational theory. Especially important in this regard is their focus upon the winners and losers in the complex arena of decision making where the regulator must respond to a wide variety of increasingly technical claims in an era of rapid technological change and boundary disputes. As such, organizational theory has played an important role in guiding the theoretical presuppositions of administrative research as has neo-classical economic theory.

In this respect the work of Globerman (1986), Stanbury (1986), and Janisch (1986) also draws on insights from organizational theory within an administrative framework as they focus on telecommunications regulation as a response to the needs of an increasingly complex technological society. Babe's neo-populist capture theory also draws on a good deal of organizational theory seeking to understand how an organization such as the CRTC, with limited financial resources and political capital, must often deal with complex issues in such a way as to seek less than optimal outcomes from an organizational viewpoint.

Some of Vincent Mosco's earlier work also owes much to the organizational perspective. In his 1978 study of Broadcasting in the United States Mosco found that disturbances in the day to day equilibrium reinforce the "regulation as usual" impulse. Mosco found that the Federal Communications Commission, faced with complex competing interests, sought to negotiate its way as an organization, not by seeking consensus in all cases, but by seeking intelligible conservative decisions. Regulation as usual was the response to complexity by the elites who controlled the organization, in this case the FCC (Horwitz, 1989: chapter two).

Today, Mosco argues that organizational or "managerial" theory is coming to understand that the market may not be the best long term vehicle for the effective management of telecommunications. Failures in airline deregulation and the reregulation of the telephone industry in the United States have prompted some to question the appearance of excessively fragmented markets and the concentration of power into the hands of a few industry leaders. While those like Globerman and Stanbury in Canada, or Kahn in the United States may dread the return to what they perceive as "a cycle of regulatory stagnation", the market has nonetheless proven itself to be a highly faulty mechanism when left to its own

2

PM-1 3 1/2"x4" PHOTOGRAPHIC MICROCOPY TARGET
NBS 1010a ANSI/ISO #2 EQUIVALENT

PRECISIONSM RESOLUTION TARGETS

PIONEERS IN METHYLENE BLUE TESTING SINCE 1974

MicroD
CORPORATION

13820 COUNTRY ROAD 12, BURNINGWELL, OH 44027 USA
TEL 814 426 7887 FAX 814 426 7888 TLE 814 426 7888

devices (Mosco, 1989:100).

The major problem for organizational analysts today is how the state may effectively manage or control the vast power wielded by corporate capital especially in the policy process. The older dominant focus on the power of elites within the regulatory apparatus has been tempered in recent years by analysis of the power of these corporate elites. Organizational theory must now confront the corporate power and problems of the "unmanageability" of corporate capitalism. Former concerns about who in the regulatory agency or the state controls the telecommunications agenda are now being replaced by concerns to understand how the corporate sector attempts to control the agenda of the regulatory organization. Focus is now shifting away from research on the organization per se and its imperatives, towards an understanding of the structural relationships and class forces which temper organizational decisions. The theoretical movement in Mosco's research from Broadcasting in the United States to his work in The Pay-Per Society serves as an excellent example of this shift in concern on the part of those formerly working within the traditional confines of organizational theory. As Mosco writes, organizational or managerial theory today, leads us to anticipate a growing discussion of non-regulatory alternatives to private

markets" (1989:100).

As an administrative approach with some critical overtones the traditional body of organizational theory literature shares common characteristics with that of the capture theorists and the public interest or pluralist thinkers. As some of the authors of the classical statements of pluralism (e.g. Dahl) have come to re-assess their own postulates, so too have organizational thinkers. Today the focus is on managing the response to excesses of democracy while still maintaining the privileged position of the corporate class and seeking a way out of both regulatory and market failures. For all three bodies of theory the continued existence of capitalist social relations is assumed. Critical research into the contradictory social relations of capitalism and the role of the subordinate classes is largely ignored in this literature. In short, a thoroughgoing structuralist analysis of class power is absent. More to the point, there are specific questions which the traditional body of administrative theory and its methodology cannot address. This class perspective and the questions it allows us to ask of Canadian telecommunications are addressed in Chapter Three.

(v) Summary

In a capitalist society the state and its regulatory apparatuses must respond to a variety of conflicting demands placed upon them by interest groups of varying size and economic power. To simply assume that the contending forces have equal access to the decision making bodies of the state without first more deeply assessing their structural position within the capitalist state and the economy is to ignore vital questions of class power. The policy literature, whether from a neo-Marxist, pluralist, government overload, or corporatist perspective, has made significant gains in helping us to understand the role of the state as a decision maker. Yet important questions remain. Many researchers of the state, be they motivated by a theoretical concern for the public interest and the capture of regulatory agencies, or more concerned with winners and losers from an organizational or managerial perspective, have yet to fully explain how and why the state serves the interests of major power blocs from the capitalist corporate domain. This in turn begs questions concerning the relative autonomy of the state from the dominant economic class.

Great silences remain in regard to the role of class power in the policy making process that an analysis such as Babe's only begins to assess. In order to address such

silences and answer these questions it is clear that we require a broader theoretical perspective and a methodology more oriented towards the investigation of the structural interaction of major institutions in a capitalist society. Theories of the state and policy emerging from a class perspective go some distance towards providing this broader perspective. Chapter Three outlines a critical theoretical and methodological alternative to the traditional administrative perspectives outlined above.

C H A P T E R T H R E E

CRITICAL THEORIES OF THE STATE-CAPITAL RELATIONSHIP AND POLICY MAKING

Ferment in communications research, and the social sciences generally, traces its roots to the unavoidable alignment of the research process with economic and political factors--there is no safe harbor in which researchers can avoid the power structure...research is always for somebody (Melody and Mansell, 1983:103-105).

(i) Class Relations and the Continental Context of Canadian Telecommunications Policy

Chapter Two pointed to silences and unanswered questions existing in the dominant administrative literature on the state and telecommunications policy in Canada. This chapter outlines the important developments in critical, class-based, state theory since the mid-1970's and applies them to the telecommunications debate in Canada while considering key substantive and theoretical questions which emerge in Chapters Five through Eight. There are two principle tasks to be accomplished in this chapter: (1) To outline specific characteristics of critical theories applicable to research on the state and telecommunications policy; and, (2) to show how an approach relying on the basic tenets of the regulation

school, can provide insights not possible from the administrative approaches discussed in Chapter Two.

It is important at the outset of this review of the critical state literature to clarify the importance of a class power perspective. The central theme in the critical literature on the state over the past fifteen years has been a focus on the state as an arena of class conflict and alliance rather than as a mere tool for simple class domination. Applied to the state, policy formation and regulation, a class power analysis begins with a relational view of the classes that comprise a capitalist society and inform its conflicts at the level of the state.

As we discussed in Chapter One, such an analysis of class is vital as telecommunications consumers in Canada are divided along at least three class lines: large corporate users, smaller and medium sized businesses and average residential consumers. These three groups of consumers represent an approximate division among the bourgeoisie, petite-bourgeoisie and working class. [Interests among the working class vary from those of workers as producers of telecommunications and workers as consumers of telecommunications products and services]. We must remember that important divisions exist among the bourgeoisie as producers (Bell Canada) and as consumers (the large user groups). This

conflict ridden sector is also characterized by tensions between large and medium sized users [fractions of capital] and between large and small users. Another problem in these class relationships involves the erosion of traditional patterns of production and consumption. Under the Fordist² regime the dominant carriers "produced" services for consumption by large, medium and small sized users alike. As neo-Fordist relationships begin to emerge, a new class of producer has arrived on the scene. Smaller companies such as "Call-Net" [a telecommunications reseller] now vie for a stake in the market adding a petite-bourgeoisie alliance with members of the bourgeoisie who are aligned against the traditional providers at Bell Canada and across the Stentor network.

Also important to understand is that traditional large consumers are now becoming producers in their own right as companies like American Express vie for the resale market. The class tensions and conflicts manifest in the transition from Fordist to neo-Fordist regimes of accumulation and modes of regulation mean that the whole concept of production is now contested. Class relations and the changing patterns of consumption and production are now central to the analysis of telecommunications in Canadian society. What makes my analysis unique is that it is the first to deal with these

issues empirically within the context of the transition from Fordism to neo-Fordist relations. As we will see in the empirical chapters, these class tensions and conflicts have presented the state with an especially difficult series of dialectical relationships to manage. As our entire conception of how economies are constituted is changing the state has been called upon by all classes to respond to a fundamentally contradictory and difficult situation.

Recent work in Canada by Wallace Clement may prove most helpful in approaching the telecommunications debate. From Clement's neo-Marxian perspective, classes are relationships that are always undergoing change and which are always related by tension and conflict (1988:20-21). Classes, in this view, are defined in terms of property rights and the relation of people to the means of production and the control exercised over the labour power of others. To investigate society critically is to study the state by means of such a "class relations perspective" with the end goal of research being to investigate the consequences of class power on policy. This includes viewing the integration of capital and the integration of the state with a focus not merely on economic efficiency, as those working from neo-classical economic assumptions do, but on people as workers, producers and consumers of a social product. Viewing class power

as a relational concept entails seeing "the actions of the ruling class not in isolation, but in relation to the working class as employers, and to everyone as controllers of valuable goods, resources and information" (Ibid). Class analysis then, focuses on the distribution of the surplus from economic production among classes and the "analysis of the power in class terms that explains that distribution" (Ibid:72).

In terms of the current telecommunications debate in Canada, Clement's perspective urges us to understand the subtle relationship between economic power and policy influence within the complex structural environment of capitalist society. This implies that research into the current telecommunications debate should attempt to understand the broad mix of class forces seeking to reshape telecommunications regulation agenda and network in Canada.

A regulation approach to class and policy analysis allows us to understand that it is not so much the case that the Canadian state is helping to privatize communications; in an important sense the state in Canada always has done that. Rather, a regulation view helps us to discern the significant ways in which the telecommunications policy making apparatus of the state has come to shift from traditional policy concerns. As we will see in Chapter Four, these concerns

were directed at the national level focussing on promoting universality and affordability. Today, regulators have become less concerned with the national level, instead tying telecommunications regulation to international concerns as brought to them by the intervenors from the multinational corporate user community.

Much recent work on Canadian telecommunications systems and regulation avoid such analysis. James Roy's (1979) study of Telesat avoids analysis of large corporate users in the policy process as does Zeeuw's (1988) study of Teleglobe. Helen Kennedy's (1988) assessment of BCE reorganization continues this trend of avoiding the role of large users. This lack of analysis of powerful corporate elites is particularly evident in Catherine Murray (1985). After a thorough and insightful assessment of the political dimensions of telecommunications policy making, Murray ends by saying, [to borrow Arnold's famous phrase], that telecommunications policy making in Canada "is like two ignorant armies clashing in the night" (Murray, 1985:502). This thesis shows that the elite actors have a much more clear understanding of the agenda setting process than Murray was willing to discuss.

Clement on class, and regulationist theories of the state are important to the analyses of telecommunications in

Canada in that they each attempt to understand regulation and the state in terms of elite structure in society. Clement has found for instance, that Canada's elite structure has led to the development of a highly "continentalized" Canadian elite. This north-south orientation led to a "stunted" form of industrial capitalist development relying on outside forces. By understanding Canadian elite development in terms of a history of political and economic dependency on Britain and now on the United States, Clement shows that our national development was flawed in an important way. As Barlow has put it:

Canada has by far the greatest foreign domination of industry and resources of the twenty or so developed nations in the world: 99 percent of our tobacco industry is foreign owned, as is 92 percent of our automotive sector, 76 percent of our chemical industry, 78 percent of our electrical apparatus industry, 84 percent of transportation, and 53 percent of our combined manufacturing and petroleum industries. This is not foreign investment. This is foreign control. And most of it--almost three-quarters--is American (Barlow, December 1990:19).

Clement and others such as Barlow have also revealed how Canada's dominant elite group emerged out of the mercantile stage of economic development (banks and financial institutions as dominant elites). As such, these elites were more interested in financing established ventures for an immediate return; would be domestically based industrialists were passed over for better established outsiders.

When Canada did begin to industrialize it did so by way of American capital and direct investment. Clement argues that Canada's capitalists came to be predominantly commercial rather than industrial. The historical division of activity has been between Canadian capitalists who are dominant in circulation, telecommunications, transport and service (finance), and foreign interests who are dominant in production (Clement, 1975; 1977). Clement's understanding of the peculiarities of Canadian elite development have been reaffirmed in recent years, as domestic elites seek to attach themselves more closely to U.S. markets in trade and a more continental focus in telecommunications. This unequal alliance has normally favoured the American multinationals. An important part of this study attempts to illustrate the desire for a continental telecommunications policy on the part of most industrialists and manufacturers. Institutions traditionally dominated by Canadian interests such as banking have joined forces with other domestic and continental elites to demand these changes. This has pitted the dominant domestic block [led by Bell Canada] against powerful users and would-be competitors in telecommunications. An important function of the state is to respond to the demands of the powerful continentalist, block while seeking to harmonize their interests with those of the dominant telephone carrier

system dominated by Bell Canada and Stentor (formerly Telecom Canada and TCTS). It is an important contribution of this study that it is among the first studies of telecommunications policy in Canada to apply a class power perspective to an increasingly "continentalized" telecommunications environment. This study will take some important first steps towards clarifying how the corporate interests of the powerful continentalist block have become combined with the "national interest" in regulatory matters before the CRTC and in some policy statements made by the DOC. Before undertaking such an analysis it is important to review the central themes of class power and regulationist approaches.

This chapter traces the origins of the class power perspective beginning with an assessment of the instrumentalist view of the state-capital relationship in the 1970's. Following this, structuralist developments in state theory are outlined and applied to the current Canadian telecommunications debate. This sets the tone for the investigation of the empiric case studies that comprise Chapters Five through Eight.

(ii) Instrumentalist Theory

Mosco (1982) outlines the basic characteristics of the

instrumentalist approach within critical state theory. Mosco argues that the instrumentalist or "power structure" perspective first attempts to understand the ways in which a dominant economic class may use the apparatuses of the state to achieve desired goals. The emphasis in this research is placed on "how the capitalist power structure shapes the state's major policy decisions" (Mosco, 1982:23). Miliband and Domhoff made important theoretical contributions to this perspective and Dan Schiller completed the major study of telecommunications deriving from it.

(a) Miliband's Contribution

Through an analysis of elite inter-connections between the dominant economic class and the state, Miliband argued that the capitalist state has become an instrument for the domination of capitalist society by economic elites:

...the ruling class of capitalist society is that class which owns and controls the means of production and which is able, by virtue of the economic power thus conferred upon it, to use the state as an instrument for the domination of society (1969:23).

Miliband distinguished between the governing class and the ruling economic class by outlining how they exist at arms length. Ultimately though, he found that the distance between the governing class and the dominant economic elite is bridged by direct economic and social links between senior

officials of the state and the dominant economic class. For instance, Miliband's perspective would view the bringing together of industry leaders from telecommunications and other sectors on one advisory panel such as the International Trade Advisory Committee of the Federal Cabinet, as a clear example of the dominant economic class employing a state mechanism to further its economic interest (in this case seeking a free trade agreement with the United States).

Figure 3-1 shows the linkages between carriers. As we saw in Table 1-1 and Figures 1-1 through 1-5 [see above, Chapter One:28-33] the telecommunications sector is tightly integrated with the financial sector. Miliband's framework would focus on the ways in which it is not only CP-Unitel that is seeking policy change and restructuring in telecommunications, but also important power blocs in corporate Canada (such as industry, banking and retail] who comprise the CP-Unitel boards of directors seeking change. By this concern with the instrumental networks that exist between and among corporations, Miliband lends insight into the scope of corporate participation in the policy process. Miliband would also point to lobby work done on behalf of a company such as Call-Net by Charles Dalfen, a member of the corporate elite and former CRTC vice-chairperson [see Chapter Five]. Dan Schiller employs some of this strategy in his

part of the heaviest areas of telecommunications in the

Figure 3-1

Direct Directorship Interlocks Among The Important
Telecommunications Carriers In Canada (1991)

Source: Financial Post, Directory of Directors, 1991

carrier states and their impact on American telecommunications policy.

Miliband's perspective was very important in the middle- to late 1970s, encouraging others such as Domhoff (1979) to explore corporate control in policy making and to help us understand why those in positions of state power seldom seek

alternatives to the high level of corporate participation in the policy making functions of the state (Mosco, 1982:24). Schiller, however, penetrates further into the instrumental linkages in an effort to explain how it is that an important part of the traditional power bloc [the AT&T monopoly, including the many powerful companies represented on its board of directors] can be challenged by an even more powerful bloc of capitalist interests.

Schiller's work is especially important in elaborating key frictions between members of the dominant class as they became manifest in telecommunications policy issues in the United States in the 1970's. Where Miliband brings us to focus on the role of elites in shaping and reshaping the public policy agenda, Schiller probes further into key aspects of intra-ruling class conflict thereby bringing us to the brink of a structural analysis which he does not himself offer.

(b) Dan Schiller's Instrumentalist Approach to the State and Telecommunications policy.

As Babe's neo-populist institutional economics perspective adds the dimension of power to neo-classical economic thought, Dan Schiller's work Telematics and Government (1982), extends the investigation of

telecommunications to assess not only "monopoly power" but "class power" in the policy process. In this, Schiller has revealed key power players in the policy process that Babe fails to identify. Specifically, Schiller examines how the American telecommunications system was reshaped not only to meet the needs of the dominant telecommunications monopoly, AT&T, but also to accommodate the needs and interests of an equally powerful bloc of economic elites--the major users of telecommunications services. Schiller argues, drawing on ample documentary analysis of policy proceedings, that an elite corporate group of the heaviest users of telecommunications services, working alongside would-be competitive providers of telecommunications services, have succeeded in shifting the focus of the regulatory process towards their own ends at the expense of the bulk of the American population. Speaking of the Federal Communications Commission decisions in favour of competition and against AT&T Schiller says:

The commission in fact responded to the one and only economic entity able to muster greater collective force than AT&T--that is to big business as a whole, in the shape of present and prospective users of advanced computer communications. Business users have become a pivotal and still-growing telematics policy making force (Schiller 1982:xiv).

Schiller's work, like that of Babe, and unlike the work of Woodrow and Woodside, refuses to accept the notion that

the technology itself has acted as some sort of autonomous force driving moves towards a more competitive environment. Schiller reveals that this technological determinism is ever present in the policy papers especially those in regard to the Computer I and Computer II decisions. His instrumental perspective distinguishes the powerful group of human agents from technological factors arguing:

This distinction is vital because, in its absence, analysts may be content to disregard the active, even aggressive, role of users in shaping telecommunications policy, and to substitute an innate, abstract and in actuality non-existent technological imperative (Ibid:34).

Schiller's instrumental approach to telecommunications research goes beyond the administrative focus on the needs of the status quo. He asks the important "for whom" question of policy action and the reshaping of telecommunications policies in recent years. Such research, developing out of the Miliband-Domhoff tradition, allowed Schiller to avoid the administrative researcher's allegiance to dominant economic forces in capitalist society, and to undertake research on the state and the telecommunications policy process that provides a more concrete assessment of policy action. This form of critical research helps us to understand the historical and institutional alliances that exist between the economic and policy elites in capitalist society and the vested interests of the various groups in the process. As

such, Schiller's critical method is more concrete than the public interest literature, more sensitive to demands other than organizational imperatives central to organizational approaches, and extends beyond the neo-populist's central concern with monopoly actors to include all the powerful economic actors in the policy process. By distancing itself further from the central power holders and questioning the motives of these power holders from a class perspective, Schiller's critical methodology, based on an instrumentalist view of the state, goes some distance in addressing the silences remaining in the administrative perspectives outlined in Chapter Two.

The focus within the instrumentalist perspective is upon the process of class rule and "how" the state works with a dominant class to advance the interests of that class (Mosco, 1982:38). Schiller, like Miliband and Domhoff and others working within the critical neo-Marxist tradition seeking to understand the working of class power, displays the tendency to focus on "how" the state works for the dominant economic class at the expense of analysis of "why" the state does this. A further weakness involves the tendency in instrumentalist work to focus on the dominant class at the expense of analysis of the role played by subordinate classes in the policy process (Stasiulis, 1988:229). These concerns

are addressed in the work of critical research deriving from a structuralist-regulation perspective. Where Schiller asks "who" changed U.S. telecommunications policy, this study seeks to understand "who" changed Canadian policy and "why" these changes were sought.

(iii) Structuralist Theory of the State

The leading proponent of the structuralist assessment of the state and telecommunications policy in Canada today is Vincent Mosco (see especially Mosco, 1989). Before assessing Mosco's work it is important to discuss briefly developments in structuralist state theory over the past decade, as much of Mosco's and my own theoretical and methodological perspective are appreciative of this tradition.

(a) Poulantzas' Contribution

Poulantzas was among the first to engage Miliband's theoretical formulations and challenge their effectiveness in explaining the capitalist state. In this effort Poulantzas became a leading proponent of a structuralist view of the state which has sought to understand the vital functions that the capitalist state must satisfy in order to maintain the dominant economic system (upon which the state itself depends for its survival). This structuralist view seeks to

understand not merely the "how" of class rule, but emphasizes the "why" of class rule (Mosco, 1982:38). Poulantzas wrote hundreds of pages on the state-capital relationship. Out of this vast corpus there are many key insights. Of these, I contend that the two chief elements of his theory are: (1) his view of the state as the chief unifying element in capitalist society (the state as the source of cohesion or "reproduction" of the capitalist social formation); and (2) his conceptualization of relative autonomy of the state from the dominant economic power bloc [allowing him to move beyond the instrumentalist view to an understanding of the state as the condensation of the sources of class conflict].

The State As The Unifying Element

As the unifying element in capitalism the state is portrayed as ensuring the political organization of the dominant class. Cohesion among the various interest blocs of this economic class is constantly threatened by class fractions arising out of economic competition. While providing a vehicle for the maintenance of the unity of the dominant class, Poulantzas argues, the state also ensures the political disorganization of the subordinate classes (1973:287-88). The state in this view is not a monolithic unity representing the interests of a monolithic group of

dominant class interests. Rather, the state is the condensation of class conflict in capitalist society: "a material condensation of a contradictory relationship" (Ibid:133). Thus for Poulantzas the state is not viewed as an intrinsic entity, it is rather, a relationship of forces, or more precisely, that material condensation of a relationship among classes and class factions such as are expressed within the state (Ibid:128-29). The state for Poulantzas is not a thing -- it is more than the sum of its parts and apparatuses. It is the result of ongoing struggles in society, the bulk of which involve economic struggles between and among class members. The state is where the struggle for control over the nature of the whole of society takes place. The state then, is both a potential vehicle for achieving class goals and a set of rules constraining behaviour. The primary function of the state is to provide for the maintenance (reproduction) and integrity or cohesion of the capitalist social formation, to prevent it from bursting apart (1973:191).

Evidence of the validity of Poulantzas' theoretical insights are to be found in the current telecommunications debate in Canada. As we will see in Chapters Five through Eight, there exists a good deal of intra ruling class conflict over changes to telecommunications systems,

technology, policy and regulation. Corporate elites at Bell have been confronted before the CRTC by other corporate elites demanding more flexibility in terms of technology and pricing from the telecommunications giant. Poulantzas would argue that the state has worked, through the Cabinet and its apparatus (the CRTC), to ensure that conflicts between Bell and powerful banks, trust companies, industrialists and retailers do not disrupt the day to day functioning of capitalism as an accumulative system in Canada. According to Poulantzas' theory, the Canadian state would be seen as having successfully played its role in embodying ruling class conflict and providing vehicles for their resolution. In this process the state itself, [remember it is not a thing for Poulantzas] has contained these struggles and helped to prevent intra ruling class conflict from tearing apart both the state and capitalist production in Canada.

Relative Autonomy

Answering Miliband's instrumentalist claims, Poulantzas veers away from a focus on individual actors in the state and society:

The characterization of the existing social system as capitalist in no way depends upon the motivation of the conduct of managers. Furthermore, to characterize the class position of managers, one need not refer to the motivation of their conduct, but only to their

place in production and their relationship to the ownership of the means of production (1972:243-44).

Thus Poulantzas refuses to engage in the instrumentalist practice of seeking explanations "founded on the motivations of conduct of the individual actors" within state and capitalist society (Ibid:242-43). For Poulantzas, much more thorough and lasting insights may be gained from the examination of the relationship of the three main structures of capitalist society: the state, the economy and ideology. In Poulantzas' view the economic realm is relatively autonomous from the political realm, just as it is relatively autonomous from ideology, and most importantly for Poulantzas, the state is relatively autonomous from the dominant economic class (1974:313). Each of these three main structures is not a unified totality, but rather, is composed of a number of sub-units (1976:92). Questions involving the relative autonomy of the state from the dominant economic class and those concerning how the state is a structure and not an instrument are exactly the kinds of questions the regulation school literature, as it has evolved from Poulantzas, helps us to answer (see Mahon, 1979:167).

For Poulantzas then, the state does not merely reflect the economy; it is relatively autonomous from the economy. As all of the structures and sub-structures interact (on a society in which classes are divided), structures other than

the economy can play a dominant role. The state for Poulantzas is certainly not autonomous from dominant economic players, but neither is it completely captured by dominant groups. As a result of the objective workings of class struggle, the state is kept at arms length to capital. For Poulantzas the state is a structure "through which political class domination ...is produced, emphasizing the structured presence of class struggle inside the state" (Mahon 1979:169). Poulantzas would see the CRTC as a useful "arms-length" device employed by the political party in power to "express and organize the political relations of class domination" (Ibid:171). The CRTC would be understood by Poulantzas to be neither captive nor completely autonomous.

At the heart of the exercise of political power for Poulantzas, state apparatuses are viewed as strategic sites of political struggles occurring among the ranks of the dominant class and between classes (Held, 1983:607). As the unifying element in capitalism the state protects the dominant class from its vulnerability to fragmentation. It can only do this if it is relatively autonomous from the particular interests of the diverse factions among this class. As for the degree of autonomy, that is largely dependent upon the intensity of class struggles and class relations in society.

Mahon (1979) used a Poulantzean class analysis approach to assess the structural role of the Apparel and Textiles Branch of the Department of Industry, Trade and Commerce. Mahon found the class based structuralist approach elaborated by Poulantzas to be most helpful in discerning "why" government agencies act as they do in a capitalist economy. By extending Poulantzas insights into the Canadian context Mahon was among the first to seek an understanding of interest groups and powerful instrumental players with the confines, limitations and possibilities of their structural position in the economy (see Mahon, 1979:183 ff.).

Due to the work of Poulantzas the class power perspective of the critical theory of the state and policy making has been broadened beyond the narrow confines of instrumentalist analysis. It is no longer useful to view economic, social and political life as if they were separate spheres of organization and activity. The new and close articulation between the economy, the state and ideology, in effect abolishes notions of autonomous economic laws which form the central theme in neo-classical economic analysis. The kind of state and class power theory that emerges from Poulantzas helps us to understand more fully how the state, as the product of the condensation of class forces in society, is informed by class contradictions. What we may

infer from this is that the state, as penetrating the relations of production and essential to their maintenance, may be defined not only in terms of contradictions, but also in terms of crisis. The state is at the centre of crisis because it is enmeshed in the economic relations of production with great stakes in continued capitalist accumulation by the dominant economic class. Such seminal developments and broad implications have seen Poulantzas works serve as fundamental building blocks for later structuralist assessments of the state capital relationship. In the assessment of the regulation school we will see the long term impact of Poulantzas seminal ideas and their broad implications. For the purposes of the present study, a great debt is owed to Poulantzas for initiating work aimed at understanding "why" elite groups in capitalist society and the state interact the way that they do. The capitalist state, understood as structure which is characterized by a relative autonomy from the dominant class, provides us with an alternative to the work of Babe which views regulatory agents as all but captives of the dominant producers in the industry. Or, as Mahon has expressed it:

...a regulatory agency can be understood [due to the work of Poulantzas] in relation to this unequal structure of representation, as a kind of "special case" created in order to neutralize a threat to hegemony that cannot easily be contained by the normal functioning of

the political and administrative apparatus of the state. It represents a "politically insulated" framework for the ongoing negotiation of this special compromise. Yet this does not mean that this compromise will not be subordinated to the "national interest", the general pattern of compromise inscribed in the state (Mahon, 1979:177).

Later regulationist insights, drawing on the seminal thought of Poulantzas, are brought forth in this study in the effort to understand more about the reasons for change itself in the current context.

(b) The Regulation School

The regulation school has developed as one of the most useful bodies of critical research on the state. However, this perspective has had only limited impact in Canada. Aside from the work of Jenson in political theory, Mahon in policy and administration, both Stasiulis and Clement in sociology and Mosco in communications, the regulation approach has attracted limited attention. What follows is a brief outline of the more important facets of this body of theory on the state and policy beginning with its roots in France. Particular attention will be paid to the relevance of regulation theory for telecommunications policy studies in Canada.

The work of the regulation school emerged in the late 1970's out of Althusserian structuralism and the work of

Poulantzas on the state intending to overcome the latter's assumption that structures somehow maintain themselves quasi-automatically without effective social agency and without significant transformations (Jessop: Summer, 1988). Modes of regulation provide means of institutionalizing class struggle and confining it within certain parameters compatible with continuing accumulation.

Regulationists have provided middle range concepts dealing with institutional analysis. These concepts are concerned with stages and phases of capitalist development rather than with abstract laws of motion and tendencies operating at the level of capital in general. Such concepts are sensitive to the relative autonomy of the economic and political spheres, while seeking to avoid economic reductionism. Regulationists have led the critical theory effort to emphasize the role of strategic conduct and struggle in the transition from one stage of capitalism to another (Jessop, 1988:147 ff).

Drawing on the insights of Poulantzas and others in the French structuralist tradition Michel Aglietta and Alain Lipietz emerged in the early 1980's as central proponents of what has become the "regulation school". Like neo-classicists these researchers begin by asking how the continued existence of the capitalist form of production is

possible. Unlike their administrative counterparts however, Aglietta and Lipietz probe beyond the mere analysis of the ways to repair capitalism and make it more efficient allowing themselves to perceive of the possible collapse of capitalism in an ultimate crisis. Seeking to understand the ways in which regulation may be conceived of as an effort on the part of the state to respond to social, political, and economic crisis, Aglietta and Lipietz began to emphasize that the creation of "modes of regulation" is an outcome of social and political struggles which inform the class structure of capitalism. In this view, regulation is very much an effort to provide for the long run needs of the dominant "regime of accumulation". Following the lead of Aglietta and Lipietz, the aim of much of the regulation approach has been to provide an analysis of the historical development of capitalism within which all phenomena are illuminated by the dominant, historically changing form of accumulation, and thus by the dominant form of the social relations of production. The relative stability of a regime of accumulation has to be assured by the corresponding modes of societal and hegemonic forms of integration/repression. This corresponding social and political mediation of accumulation is referred to as a mode of regulation. The concepts of integration/repression impinge, mainly, at the level of the

state. (Bonefield, 1988:96 ff).

Key analytical concepts of the regulation school

Regime of Accumulation: A regime of accumulation is a social structure that connects the individual decisions of producers with the socially determined effective demand they must confront (Noel, Spring, 1987:303 ff). Or in Lipietz's terms, a regime of regulation refers to:

a systematic mode of distribution and relocation of the social product which brought about a long run correspondence between the changing conditions of production...and the changing conditions of final consumption (1984a:xvi).

A regime of accumulation is associated then, with a set of structures (institutional forms, networks, implicit and explicit norms), which ensures the compatibility of behaviours within the framework of a regime of accumulation. The entire set of structures is called a mode of regulation.

Mode of Regulation:

Lipietz defines a mode of regulation as:

...the ensemblment of institutional forms, networks, and explicit or implicit norms which assure compatibility of market behavior within a regime of accumulation, in keeping with the actual patterns of social relations even though the contradictory, conflictual nature of relations among economic agents and social groups is present (1984a:xvi-xvii).

In short, the definition of a mode of regulation is that it regulates. That is, it stabilizes social relations even though these relations are contradictory. As Jenson perceptively points out, since a mode of regulation results from a specific history of each individual social formation, there can be several national varieties of Fordism within the common form (1989). Modes of regulation then, provide means of institutionalizing class struggle and confining it within the parameters compatible with continuing accumulation (Jessop, 1982). The Poulantzean legacy runs deep in such thought.

Aglietta's Contribution: A Methodological Movement to the Concrete

As the regulation perspective has developed, it has progressed towards a more concrete level of analysis. At the end of this chapter the implication of this "Institutional Methodology" will be discussed. The development of this methodological approach, in response to traditional administrative approaches and their methodologies, has been an important contribution of the school aside from vast theoretical developments on the state and policy. At this juncture I will draw on Aglietta to outline its basic characteristics.

Aglietta (1979) begins his efforts to formulate a theory

of capitalist regulation by pointing to the failure of neo-classical economic "equilibrium" theorists to provide an historical account of economic factors in society. This is very germane to the discussion of telecommunications policy today as so much of what has been written on the subject derives from the public interest (pluralist/neo-classical economics) tradition [see Chapter Two]. Aglietta, like Mosco today, criticized the silence in the work of the equilibrium theorists in regard to the social content of economic and technological relationships. Aglietta argues that this vast silence ultimately leaves theories based on neo-classical economic assumptions unable to interpret the broad range and complexity of the conflicting forces at work in a capitalist socio-economic formation. Aglietta argues that this silence in the neo-classical literature originates from the efforts of many researchers in this tradition to "explain away" imperfections in their theory. Ultimately, this is a methodological criticism for Aglietta as he argues that a neo-classically grounded perspective "does not attempt to dialectically transform its concepts by incorporating a more concrete element into them" (1979:9-11). In Canadian telecommunications policy research this lack of the concrete element allows technologically determinist assumptions to go unchecked. It also sees abstract issues of pricing and

costing analyses cloud the broader social question of who is winning and who is paying for new telecommunications systems (see especially Globberman, 1986; Stanbury, 1986; and Woodrow and Woodside, 1986).

O'Connor has highlighted the lack of concreteness in traditional approaches arguing that neo-classicists present the most abstract and remote theory from the workings of daily life (1987:3-10). Or, in Aglietta's words:

Once defined as the science of human behaviour, detached from any social conditions, the dominant economic theory cannot but be altogether foreign to history. ...the concept of the rational and sovereign subject, free of any social tie, introduces an absolute opposition between theory and experience, necessity and contingency, essence and phenomenon. ...Purity is finally attained in the concept of price, as the sufficient and exclusive bond between all rational subjects under the uniform constraints of scarcity (1979:14).

Aside from theoretical elaborations on Poulantzas, it is important to remember that the early work of regulationists was very much a methodological movement away from the highly abstract notions of neo-classical equilibrium theories towards a more concrete level of analysis. In terms of an assessment of telecommunications regulation in Canada we will see that this implies a movement away from analysis of costing and efficiency studies to the more concrete level of the analysis of the social implications of telecommunications policy change for all users of the system.

Drawing on Aglietta, among the first steps of such a perspective on Canadian telecommunications is the recognition that regulation is not simply part of a set of overall properties of any "general equilibrium". Rather, drawing on Aglietta and the regulationist perspective, we may develop an understanding of state action and regulation that seeks to understand the subtle and complex workings of class power within society and the state seeking to present a more enriched analysis.

Drawing on neo-Marxian insights, Aglietta develops an analysis of the state and capitalist society that seeks to understand the maintenance and reproduction of social relations in society (1979:24). The state, in this view, forms part of the very existence of the capitalist system and the capitalist wage relation that rests at the core of the system. The state is penetrated by, and in turn penetrates society, profoundly shaping and restructuring it. Any supposed laws of competition from neo-classical analysis are supplanted in this view by laws of capitalist accumulation. [What the system must do to continue is accumulate]. As such, the law of capital accumulation is now seen as determining both the existence of any such laws of competition as well as underlying motivations to influence state policy for the economy. For Canadian tele-

communications policy analysis, this provides us with the theoretical basis with which to explore the notion of class power wherein the working classes are caught between the law or imperative of accumulation on the one hand, and the actions of dominant classes to influence state policy on the other. A chief problem to be overcome in such analysis as it derives from the Aglietta tradition is to avoid a one-dimensional notion of human agency whereby human actions are mere functional responses to systemic imperatives. As Stasiulis, Jenson and others have noted, Aglietta often reads like a dialectical materialism without human agents, especially working class agents (Bonefield, Winter 1987).

Because of the validity of this criticism, work within the regulation perspective should strive for a more developed account of working class efforts to counter elite pressure on policy makers. By seeing such regulatory achievements such as health and safety laws, legislation concerning the right of workers to organize and bargain collectively, or regulatory caveats about universal access to the telephone, as hard won working class struggles is but one step in this direction (Stasiulis, 1988). As Rideout (1991) shows us, it is important to identify the various manifestations of working class resistance in telecommunications policy. By doing so, we may see the operation of class power as

something more complex than a simple top-downwards movement through the state as a response to elite pressures which originate in the imperatives of accumulation.

Stepping beyond Aglietta's somewhat rigid interpretation of Poulantzas has been one of the important contributions of Lipietz and later regulationists. Aglietta's break with neo-classical formulations and his emphasis on the concrete over the most abstract level of analysis have remained guiding principles in these efforts.

Lipietz's Contribution

Alain Lipietz begins his assessment of the state and regulatory activity with a critique of the capitalist mode of production and its social mould while distinguishing the current crisis of western economies from past ones. This work includes distinguishing past modes of regulation from current modes. Here he argues that Taylorist management practices combined with early assembly line mass production techniques provoked the first wave of intensive accumulation in the 1920's. This "intensive" regime of accumulation was characterized by a rise in productivity of six per cent per year (three times the average annual rise for the nineteenth century, 1984:10). The rising rate of profit in the 1920's was accompanied not only by an increase in the rate of

exploitation but also by a crisis of overproduction. As Clarke and several others have argued along with Lipietz, this crisis of overproduction was due to the economic system being able to produce more than workers could consume (Clarke, 1990).

Lipietz argues that the mode of regulation during this period is best described as "competitive regulation". Under this form of regulation labour power was often sold on a daily basis, at a price determined, in the extreme, solely by market conditions. In telecommunications, market forces were allowed to dominate which put the powerful Bell Telephone Company of Canada in a position to engage in predatory pricing practices and drive out a significant portion of their competition (Babe, 1990:126ff). Lipietz's main contribution to research on this time period is his identification of the late 1920's as being the time of the final and fatal crisis of the period of pre-Fordist production and management techniques. As increasing productivity met with the inability of consumers to consume the products of the emergent system, the state had to respond to the end of the regime of intensive accumulation and competitive regulation by leading the way to more stable policies. Out of this "New Deal" era of Roosevelt in the United States and the governments of Bennett and King in

Canada, the former competitive mode of regulation was slowly changed into a "monopolistic" mode of regulation better suited to the needs of the Fordist mode of accumulation.

Lipietz has been a leader among those who have sought to understand the rise of Fordism as a social formation devised to overcome the crisis of underconsumption. He has argued that by responding to the demands of workers and subordinated classes for more security and buying power in return for purchases, capitalism was able to avoid a serious crisis for some twenty-five to thirty years from the late 1940's to the early 1970's. The role of the state during the era of mass production was largely one of creating effective demand in response to crisis, and of regulating business in the American sense of the term -- supporting competitive market structures. [Chapter Four, recalls state efforts in telecommunications regulation during this time and the key differences from regulation today].

According to Lipietz, both primitive Taylorism and primitive Fordism require a state that is autonomous in three senses:

- (i) the regime is politically autonomous from traditional forms of foreign domination;
- (ii) the political regime is autonomous from the dominant economic classes connected with either the primary export economy or the growth of the home market; and
- (iii) the regime is autonomous from the popular masses.

Lipietz argues that concomitant with Fordism's intensive regime of accumulation has been a "monopolistic" mode of regulation characterized by:

- (i) more stable patterns of collective wage negotiation, rigidly patterned, and implicitly indexed to the growth of productivity;
- (ii) an economy dominated by price setters; and
- (iii) a state that is much more involved in regulating money supply and almost every other aspect of economic and social life.

Lipietz argues that by the late 1960's the characteristics of our current crisis of profitability were becoming manifest. The increasing cost of capital in the emerging information/high technology age is central to this argument. The current crisis, and the efforts to evolve a new mode of regulation and technological society as a way out of it are discussed at a later juncture. What is important at this point is to understand the key characteristics of the Fordist system and its mode of regulation. According to regulationists, Fordism was a period where production and consumption were constantly transformed through high productivity growth and rapidly rising real wages. Accumulation has been characterized by a continuous increase in the outputs generated by given inputs and by the rapid development of mass consumption. Because high productivity gains outpaced sheer expansion, a dynamic consumer goods

sector became necessary. No longer merely a cost, wages became a central component of demand. For capitalists, the central problem has been to sell rather than to produce consumer goods.

Thus, the Fordist regime of accumulation and its monopolistic mode of regulation have been based on the mass production of homogeneous products, using rigid technology of the assembly line with dedicated machines and standardized (Taylorist) work routines. This is why today, in telecommunications, we see a variety of new services evolving and traditional consumers appearing as producers as well in the effort to increase corporate sales and profitability. Increased productivity has been attained through economies of scale as well as the deskilling, intensification and homogenization of labour. This has given rise to what Simon Clarke has called the mass worker, organized in bureaucratic trade unions which negotiate uniform wage increases to match productivity gains. Rising wages enabled workers to buy the increasing output. The overall supply-demand balance was achieved by Keynesian economics while the balance between profits and wages was achieved through collective bargaining supervised by the state. The education, training and socialization of the mass worker was organized through the mass institutions of a

bureaucratic welfare state. Collectively, these institutions which came together around 1950, came to define a circle of rising living standards and rising productivity, rising wages and rising profits, economic stability and relative social harmony (Clarke, 1990). As such, the work of the regulationists has revealed that central aspect of Fordism as an accumulative and regulatory regime was that it "produced" mass consumers able to purchase the products of capitalist industry.

Current work among leading regulationists seeks to understand how, as Fordist production approaches its limits, new methods of production and regulation may emerge (see especially Mosco, April 6, 1990). This thesis is within the domain of this literature as far as telecommunications policy is concerned. The work of Lipietz and other current leading proponents of the regulation school has led us to the understanding of the crisis of the 1930's as a crisis of overproduction whereas the dominant theme of the crisis today is one of profitability. As such, we have not witnessed a collapse in prices as in 1929 but rather, prolonged economic stagnation and recession since the mid 1970's. The great methodological strength of this form of analysis is that it focuses upon current regulatory models as a result of past struggles that form part of our present history in the

making. This is a broad effort to concretize findings within the context of understanding the simultaneous reproduction of social relations, their evolution, crisis, and the creation of new models (Lipietz, 1988:7-36).

Within this view the state is conceived of as a "terrain of struggle". A state agency such as the CRTC does not simply make conflicts disappear, it acts as an agent of hegemony in that it does protect the interest of dominant economic actors in the sector. An important contribution of this thesis will be to show that the CRTC as an agent of hegemony has responded to the demands of the economic elites. We will see that decisions have been made overturning patterns of regulation from the period of high Fordism in which goals of universal access were held above the demands of the market and its key players.

Such a view sees current efforts in Canadian telecommunications regulation within the context of a transition from one mode of regulation to another within a context of class struggle. This work represents and an effort to understand the state and its regulatory apparatus the CRTC, "as a special case of the unequal structure of representation through which the authority of the dominant class and, in particular, the leading fraction of that class, is dynamically reproduced" (Mahon, 1979:163). This allows us

to perceive what Mahon refers to as the dual role of regulatory agencies as simultaneously "representing" and "regulating". The agency is thus presented in a compromising position: It must modify the accumulative and exploitative rights of large capitalist interests, while at the same time it must handle demands from large capitalist organizations for more rights. Mahon has argued that by insulating this compromise from the regular state apparatuses the exceptional character of regulatory agencies as instruments of hegemony is underlined. Thus, the regulation of telecommunications may be said to be about modifying the rights of capital--but it is also about looking out for the long run interests of capital (Ibid).

Applied to the state, regulation and policy formation, regulationists have provided us with an understanding of class power that begins with a relational definition of classes in a class structured society. To investigate regulation in Canadian society, we must study the state with a focus on these class power relations (see especially Jenson, Spring 1990). What critical researchers have not always considered, especially some of those working in the tradition of the regulation school, is the two-way class relationship that meets in the state where dominated classes contest the dominant class over the shape of state policy.

Clement's work, like that of Clarke, serves as a necessary reminder of the role of working class agency in capitalist society to those theorists who would overlook this important aspect.

From Clarke we learn that to speak about modes of regulation of regimes of accumulation, we must do it in a way that speaks to class struggle. This is not to imply that we need to deny any of the usefulness of the analytical categories of the regulation school. For my purposes, when I employ a term such as the mode of regulation of a regime of accumulation I do so in a dialectical sense. In this way I specify from the outset that my application of regulation school analytical categories is open to the role of working class agency and a relational view of classes and the exertion of class power by economically dominant groups. These developments in the literature on the state and policy explain the key difference between a largely instrumentalist analysis like Schiller's Telematics and Government in 1982, and the structuralist insights that inform Vincent Mosco's The Pay-Per Society in 1990.

(c) Regulationist Thought On Telecommunications in Canada

Drawing on the insights provided by structuralist theories of the state, Mosco argues that efforts to

restructure and re-regulate telecommunications in Canada, as in the United States, must be understood within the context of greater social forces at work in capitalist society. Over the past five years his work has engaged the telecommunications debate in Canada in terms of public policy in the age of "user pay" telecommunications (what neo-classicists refer to as moving prices closer to costs). He has argued that this "pay-per" society attacks traditional notions of telecommunications as a social network, replacing it with a more private conceptualization of the system. As large users demand that old cross subsidies favoring residential users be changed to favour larger interests, former social values such as universal access to a telephone are threatened while networks and cost of service are tailored to the needs of the large users (Mosco, 1989:208). Mosco has also begun to probe the "continental" dimensions of Canadian telecommunications policy arguing that:

Canadian policy making is officially about Canada, but is mainly about the United States. Lately, it has been about how to best implement United States models of deregulation, privatization, and a general reliance on private markets, even at the expense of such principles as universality and strong public institutions, values that have traditionally distinguished Canada from the United States (1989:217).

In this process the state and its regulatory apparatus the CRTC, are viewed as responding to the needs of dominant players, not in instrumental terms but in structuralist

terms. Where Schiller's work focussed more on the "how" of class rule, Mosco focuses on the "why" of class rule. His work on the implications for Canadian telecommunications posed by the Canada-U.S. Free Trade Agreement is representative of this movement. Such a view looks beyond the actual players to the forces that motivate them in a capitalist socio-economic system. In the case of free trade, Mosco shows how Canadian policy makers have been under tremendous pressure to bring this country's policy and regulatory structures in line with those achieved in the United States a decade earlier. Where an instrumental analysis provides us with an understanding of who the key players are and their location in the power structure, structuralist insights force us to probe further to reveal and understand elite actions within their broad political-economic context.

Mosco has gone the furthest towards elaborating a regulationist approach to the telecommunications struggle in Canada in recent years. Mosco argues that "Canada is undergoing a shift from a telecom system led by a narrow class fraction of monopoly providers who, in return for state guaranteed market dominance, provided universal service and stable employment" (Mosco, April 6, 1990:1). Mosco argues that this level of state regulation under a Fordist regime

managed conflict among industry, consumer, trade and union organizations. He goes on to argue that the evolving neo-Fordist regime in Canada "is led by large telecommunications users across the range of resource, manufacturing and service enterprises that demand low cost, customized services and press for competition to achieve this" (Ibid; see also Mosco, December 1990:6 ff.). Rideout (1991) has done some interesting empirical work supporting her case that Canadian policy makers, as those in other countries, have been forced to react to the United States models of regulation pioneered in the 1970's. As one dominant economic power acts it can so influence the needs/goals of elites in other countries who seek to keep pace. In Rideout's words:

Changing restrictive telecommunications policies has been and continues to be paramount to the United States because it still leads internationally in membership and share percentage of transnational corporations. What this means for other capitalist countries is that there is growing pressure to harmonize their policy with the USA model, in order to conduct business with the American transnationals. To remain competitive players in the international marketplace, other capitalist states must develop or reorganize their policies in relation to the privatization and deregulation model (Rideout, 1991:87-88).

By focussing on the state as a regulatory mechanism we can penetrate beyond the pluralist and neo-classical assumptions about deregulation. In this view we may attempt to understand how it is that we are not witnessing any real

retreat from regulation but rather, a refocussing of how the regulatory role of government is to be understood. In this, the regulation perspective allows us to understand how the key actors in the policy process users, governments, and providers of services move in the policy process. The case studies which follow in Chapters Five through Eight illustrate these movements in their continental context.

Such an analysis brings us to question the relationship of competition in telecommunications to the greater issue of economic restructuring. Babe's focus on monopoly, Globerman and Stanbury's neo-classical mindset, and Woodrow and Woodside's neo-pluralism, does not take them to this outer structural dimension of the functioning of the state and the class interests that both inform and surround it.

To borrow from Lipietz, when we understand that the modern economic crisis is the "obverse of regulation", we can then begin to understand the ways in which powerful groups, while seeking to survive the economic crisis, will act within the state and around the state, to secure their own corporate survival. It is the job of the state and its apparatuses such as the CRTC to absorb and channel the conflict embedded in the social relations of a crisis laden economy and to see that the long term maintenance of the dominant system of accumulation is maintained. For the CRTC, this means

absorbing and working to eliminate conflict in telecommunications so that the system continues to work in the future. In this view, notions of "economic laws", popular in the work of Globerman and Stanbury especially, are changing historical products which impose various constraints on individuals who must choose and act within institutional frameworks that are evolving in relation to the crisis.

To begin to understand the way in which telecommunications policy in Canada is being reshaped, is to begin to understand how the dominant economic class is attempting to reproduce itself within the context of economic crisis. A regulatory agency such as the CRTC, like other apparatuses of the state, is then understood as contributing to the reproduction of the authority of the dominant class by simultaneously, in Mahon's terms "representing and regulating". The state, by way of its apparatus the CRTC, becomes an object as well as an agent of regulation. To return to Poulantzas key insights: The state does not exist fully constituted or internally coherent. It is neither an organizationally pure nor an operationally closed system.

The notion of economic crisis then, is not to be understood as something which is imposed from the outside on class relations in Canada; rather, we are experiencing a crisis of the class relation, a crisis of the rule of capital

over labour (Clarke, 1990). Periods of economic crisis are times when established patterns of class domination weaken and new forms begin to emerge. Crisis in this sense shows the limits of established accumulation regimes and modes of regulation. To survive crisis, capital must restructure. Telecommunications is but one site of the overall pattern of capital restructuring in Canada during the last ten years (Holloway, Winter 1988).

As we will see in Chapter Four, for the most part regulation of communications in Canada in the past dealt with the reconciliation of the interests of producers and consumers. Today the face of consumer groups has changed. Major users have now banded together to demand changes to the telecommunications system and its policy making structure in an effort to restructure and adapt to crisis. Where administrative theories have failed particularly, is in the effort to understand the nature of the current economic crisis and the actions of elites to restructure in response to it. Administrative efforts have also failed to distinguish among the different groups of consumers. To read many appraisals of the telecommunications debate surrounding long distance competition, one is left with the impression that all consumers hold a monolithic view of telecommunications, each seeking to maximize efficiency and cost

of services (see especially Globerman 1986, Stanbury 1986). One of the strengths of a class analysis approach to these debates is that we are exposed more directly to the structural differentiation which is created in the economy between producers and consumers and among different groups of consumers. In the case of telecommunications there exist large users, medium and small sized business users, and average household or residential users, each with a particular set of interests [see Chapter One]. In any assessment of the current telecommunications debate in Canada it is necessary to remember that there are different fractions of consumers as there are different fractions of capital.

Another dimension to consider here is the creation of new groups of producers. For example, American Express (AMEX) now finds a ready market for the kinds of customer related information that it has always collected as a matter of course in doing business. AMEX is now able to repackage and sell this information as a commodity. The new resale and sharing laws also impact upon the dimension of production. As we will see in Chapter Five and in our discussion of the new Telecommunications Act in Chapter Nine, companies like AMEX now stand as competitors with the traditional monopoly producers of telecommunications services as they purchase

large blocks of "telecommunications time" from the monopolies at discount rates, and later resell them to other companies.

The class analysis position of the regulationist approach improves our understanding of political economy in at least two ways:

- i) It attempts to delineate precisely differences across time (different regimes of accumulation and their mode of regulation). This includes efforts to understand how increases in productivity at one time made changes possible in the next period.
- ii) It brings together different dimensions of change. For example, every country cannot have a positive balance of trade at all times. As political-economic factors differ from country to country and time to time they influence change in different ways (Boyer, Summer, 1984).

In the case of telecommunications, we see how the efforts of the United States as the first deregulator (Rideout, 1991), have influenced a broad continental and even global policy response.

More empirical research needs to be done before we can better understand the many complexities of class power in the telecommunication policy process. The bulk of the remainder of the present study is devoted to that purpose. The present study will draw upon the insights of structuralist state theory and its institutional methodology. This methodological approach is characterized by an emphasis on systematic relations, the historical development of structures and processes, and the nature of conflicts in

political and economic relations.

(iv) An Institutional Methodology

In contrast to the traditional administrative views on telecommunications policy, critical theories, led by the regulationist literature, have developed an analytical framework giving attention to the institutional factors that influence the development of telecommunications technology, systems and policy. Such a view treats telecommunications and policy as part of the larger political, economic and social system. This provides us with a methodology to assess the structural requirements of economic systems and policy boards while laying a foundation for a critical analysis of institutional factors.

By distancing itself from dominant sources of economic power and questioning the very basis of this power, critical structural theory is able to employ a broader conceptual framework. As in the case of the present study the emphasis is on more than simple reforms to the status quo. In this we are able to locate research problems pertaining to the policy and planning process with an eye to understanding difficiencies of public and private sector institutional structure. As such, an investigation of institutional power relations in capitalist society is possible.

Changes to policy and regulation are shown in this study to reflect the outcomes of these institutional power relations which serve as the foundation for changes in the telecommunications policy. Rather than seeking to make corporate power and profit channels more efficient, such research can question the broader social implications of such power and possible alternatives that may have a broader social application for the average Canadian telecommunications user. Thus, the conceptual core of the thesis is centered on the relationship between the introduction of competition to Canadian telecommunications and class power.

From critical structural theory we have learned that we need to understand class power in order to understand technological development, policy making and regulation, especially in an era when technological change is being heralded as the way out of the current crisis of profitability. This understanding of power in capitalist society is at the root of an institutional methodology.

The methodology of the critical structuralist school of thought may best be captured in Mansell's term as an "institutional methodology" (Mansell, 1984). Such a methodology is at the root of a structurally oriented political economy perspective. Political-economy has historically examined the allocation of economic resources

(land, labour and capital) through an analysis of institutional conditions (Mansell, 1984:40). The recent work of Mosco shows us that telecommunications and policy need to be examined as the economic resources they are. As information is a valuable commodity to capital so too are the privileged positions occupied by elites in the policy process. As information and telecommunications technologies, networks and services are central to capitalist accumulation, access to shaping the policies which regulate these technologies is itself a valuable commodity which requires more analysis.

Through a form of analysis which focuses on institutional class power linkages we may "study the economic and governmental institutions, their structural relations to one and other and their incentives" (Mansell, 1984). For our purposes the employment of institutional methodology implies a focus on economic and governmental institutions and their structural relations to one another through, in this case, policy and regulatory initiatives. Such a methodology is highly useful in studying how asymmetrical power relations in socio-economic and regulatory organizations are maintained or changed (Ibid). An institutional methodology directs research to the characteristics of government policy, the structure of class power relations in public-policy decision

making and regulation, and the actual outcomes of policy as a result of these power relations in Canadian society.

This richer perspective allows us to approach the work of administrative schools with a critical eye on their over-reliance on quantitative empirical techniques to address research problems. As Mansell puts it: "the limitations of quantitative techniques and paucity of appropriate data have restricted the range of questions that are raised concerning the telecommunications sector" (Ibid). We can then begin to get beyond the limitations of the administrative approaches, to attempt to undertake a more systematic analysis of the process whereby policies concerning new technologies and services come under institutional pressures. In the case of moving towards competition in Canadian telecommunications policy, an institutional methodology directs research to the characteristics of policy changes in relation to the structure of class power relations in Canadian society. By way of an analysis of the implications of the institutional structure and relationships within policy and regulation, we can understand how and why the system is changing. As such, it is an important task of this thesis to develop an analysis of the objectives and incentives influencing the dominant institutional interests that have come to exercise a good deal of control over the development of telecommunications

policy in Canada. At its best, an institutional methodology takes into account the interplay of ideas, political and economic power, and vested interests in setting the policy agenda for the nation. By taking a broad historical, social, economic and political view of the contested terrain of telecommunications policy, we can better understand the "institutional" and "structural" constraints placed on all actors in the debate.

(v) Summary

Such critical-structuralist efforts drawing on an institutional methodology have begun to unmask the power structures underlying efforts to restructure telecommunications rates and markets in Canada. Taken within the context of the global restructuring of labour markets, production facilities and trading boundaries, structuralists view changes to Canadian telecommunications as an effort to redistribute income from society's less wealthy to its most wealthy members. Although he attempts to promote rate restructuring and the provision of competitive telecommunications services in Canada, the neo-conservative Hudson Janisch admits the truth of this redistribution in the American case:

As Representative Swift argued during congressional

hearings in 1983, one would have to have a \$50.00 per month phone bill before there would be any benefit in any drop in long distance rates brought about by competition, and fewer than four per cent of residential users fall into that category (Janisch, 1986:338).

Unlike the work of neo-classical economics, public interest/pluralist state theory, neo-populism, organizational theory, or even to some extent critical instrumentalist studies, a structuralist perspective probes the class power dimension of policy formation in a capitalist society. The critical assumptions underlying this research combined with structuralist state theory are providing a rich body of theoretical knowledge with which to assess current changes to telecommunications in Canada. The remainder of this project involves an empirical assessment of four case studies in Canadian telecommunications from a structuralist-based perspective. Before moving to these case studies it is important to assess the historical development of both telecommunications and telecommunications policy in Canada over the past several decades. This discussion [Chapter Four] provides us with the comparative base with which to understand the current transition from Fordism to neo-Fordism in Canadian telecommunications policy.

As the remaining chapters unfold a number of central and related questions will be discussed: (1) Who has attempted to bring competition onto the national telecommunications

regulatory agenda? (2) How is Canadian telecommunications regulation and policy taking on more of an international focus than in the past? (3) How does this effort relate to global political-economic developments, especially the crisis of Fordism over the past two decades? (4) Who wins and who loses from the kinds of changes now being instituted? By looking at the key players, stakes, issues and arenas of regulation in resale, MTS/WATS competition, BCE reorganization and international telecommunication policy, this thesis will attempt to provide answers to each of these questions.

What the assessment of the central questions listed above will do, however, is to show that the way being sought out of the current crisis (in North American terms), involves the development of a new form of regulation. Importantly, as De Vroey suggests, the current crisis consists of a disruption of the whole structure of Fordism and monopolistic regulation; it is not, however, signalling the death-knell of capitalism as a world system (De Vroey, Summer, 1984). A very important contribution of this study will be to point to the ways in which a new mode of regulation is evolving in Canada and North America by way of an investigation of telecommunications policy. As the Canadian social contract is modified in telecommunications, it

illustrates the evolution of market principles over those of public service principles of regulation as a chief characteristic of the new mode of regulation. It is not possible to say as yet exactly what form the new mode will take, but it is possible to begin to see the outline of its shape.

An important part of the effort to understand the shape of the new form is to understand how the established norms of business thinking are being transformed into public policy (Coleman, 1988: Chapter One). Other aspects of the new form of regulation include: (1) the use of new technologies to reshape the labour process and the labour market itself; (2) the decline of mass consumption industries in importance as high-technology and service firms rise in importance in Canada's economic structure; and, (3) changes in international political economy such as the effort to diminish trade barriers between countries, such as the Canada-United States or the Canada-United States-Mexico trade agreements (Jenson, 1989). Telecommunications systems are a very important aspect of these changes, placing a high priority on telecommunications policy issues.

The theoretical material covered in this chapter has attempted to develop a more complete picture of change within its structural context than those discussed in Chapter Two

have achieved thus far. Before turning to each of the empirical case studies in Chapters Five through Eight, it is important to assess the evolution of telecommunications on the agendas of the state and large private sector interests in Canada. This analysis, in Chapter Four, will indicate ways in which the rules are being changed to fit the needs of the dominant economic elite of our time. It is intended to provide an historical background to current dilemmas in Canadian telecommunications and its regulation which are later assessed in some detail in Chapters Five through Eight.

C H A P T E R F O U R

THE EVOLUTION OF TELECOMMUNICATIONS ON THE AGENDAS OF THE STATE AND THE PRIVATE SECTOR: CHANGING THE RULES TO FIT THE STRUCTURAL DEMANDS OF THE DAY

A great deal of the controversy over the ...quantity and form of regulation in Canadian society is in fact a debate over the appropriate role for government (Baar and Baar, June 11, 1984, cited in Murray, 1985: 37).

(i) Introduction

In order to apply the theoretical insights of the regulation literature to Canadian telecommunications policy, it is useful to establish the historical context of current conflicts and changes. This chapter is intended to provide an historical background to current dilemmas and tensions in Canadian telecommunications and its regulation. In order to develop a sense of perspective on the emergence of potential competitors, the chapter presents a brief history of the emergence of the two dominant telecommunications carriers, CNCP Telecommunications and the Bell-Stentor network. [The consortia of Canadian telephone monopolies was known as the Trans-Canada Telephone System from 1932 to 1982; from 1982 to 1992 it was called Telecom Canada; recently the name has changed again to Stentor]. Following this we can develop an outline not only of the evolution of the regulation of

telecommunications in Canada over the past century, but also the evolution of Fordist-style public interest regulation and market forms of regulation within a changing social contract in Canada.

This analysis provides the context for examining the dominant themes in regulation that emerged during the zenith of Fordism's "monopolistic mode of regulation" following World War Two. The chapter will allow us to approach the emergence of neo-Fordism with a clearer understanding of the patterns of the past. While outlining the central issues, tensions and conflicts among the key players, this chapter develops a precise representation of who the key players have been, who they are today, and what arenas have existed to resolve conflict. In the effort to begin to understand the role of the emerging competitors, it is important to place them within the proper structural context of the crisis of accumulation and the impact of this crisis upon regulation.

With reference to a changing social contract, this chapter ultimately points to shifting regulatory values and the emergent institutional developments influencing these changes. In particular, the rise of powerful user groups and associations as intervenors before regulatory tribunals has been the most significant change in Canadian telecommunications regulation in recent years. An understanding

of the interaction of these institutional forces allows us to set a framework for the understanding of the case studies to follow. These cases reveal how the fabric of Canada's social contract is being reshaped by powerful forces seeking to direct the concerns of regulatory tribunals away from former goals of public service towards a more private market conceptualization of regulation.

A final theme to emerge out of this chapter is that regulation is a political choice, made in a specific political-economic and social context. The Economic Council of Canada has defined regulation as:

...the imposition of rules intended to modify economic behaviour significantly, which are backed up by the authority of the state. Such rules typically attempt to modify one or more of price, entry, rate of return, disclosure of information, attributes of a product or service, methods of production, conditions of service, and discrimination in employment or the sale of goods and services (Canada, Economic Council, 1978:15).

Regulatory measures are varied and complex. They may take the form of taxes, direct or indirect subsidies, tariffs, control by statute, regulatory commission, public enterprise, or the unrestricted workings of the market. As governments are pushed and pulled by a number of special interest groups they must select from this variety of measures the optimal economic instrument of regulation (Armstrong and Nelles, 1986:98 ff.). This is a process that necessarily involves

the selection of regulatory criteria based on the political and ideological goals of the government. As such, the choice of the economic instrument of regulation represents an institutional statement about the balance of power between producers, consumers, business people, politicians and citizens. The choice of a governing instrument is never made in a vacuum (Ibid). While examining the historical development of telecommunications systems and policy arenas in Canada, this chapter will highlight the element of "political agency" in the regulation of telecommunications.

(ii) Telecommunications in Canada to 1970

The existence of the monopoly in the Canadian telegraph and telephone industries was not a coincidence; it was the product of vehement struggle. Monopoly in both sectors is the product of energetically pursued corporate policy. A superb account of these policies and practices is presented in Babe (1990) and there is no need to digress into this material here. It is important, however, to recognize that the ascendancy of monopoly represented not so much the triumph of technology as business practice, and access to a good deal of public money. The infant Bell Canada [under C.F. Sise] worked to get legislation from Ottawa deeming that the company should provide: "works for the general advantage

of Canada" (Armstrong and Nelles, 1986:144).

By 1900, there was a clear general understanding among politicians in Canada and the United States that the telephone, like the telegraph before it, was a great public asset. The notion of the telephone as a "public service company" grew out of this period. The public service concept was not challenged in American courts after 1894 until the late 1960's (Stone, 1989: 30-32). In Canada, regulators were not presented with significant challenges to this concept of regulation until the late 1970's (Canada: CRTC Telecom Decision 1979-11). On the one hand were the dominant telephone companies seeking monopoly status, on the other was the government, under increasing public pressure (see below), to regulate the telephone as a public service instrument. The government conception of the telephone as a public service instrument allowed Bell Canada to grow and prosper as a private company while the regulator promoted the widest possible distribution of the technology and its services. At the turn of the century, politicians had been prepared to see the telephone developed privately and without public oversight. This position changed however, due to a number of important conflicts which are assessed in section three below.

On the eve of the Second World War, after many decades

of ruthless competition, three dominant players were emerging in Canadian telecommunications. After a century of mergers, bankruptcies and takeovers the Montreal Telegraph Company, Dominion Telegraph, Grand Trunk Telegraph (not affiliated with the railways), the Toronto, Hamilton and Niagara Telegraph Company, and the Great North-Western Telegraph Company each eventually ceased to exist as independent entities. Canadian National and Canadian Pacific Telegraphs emerged from the conflict to stand as twin giants in Canadian telegraphy (Babe, 1990:45-53). CN had been created by the federal government in 1920-21 by way of a takeover of the facilities of Grand Trunk Telegraph, to serve the needs of the newly launched venture Canadian National Railways (Kevin Wilson, 1990:4). Canadian Pacific Telegraphs was formed in 1881 by the Canadian Pacific Railway (Ibid:2). Richard Du Boff records a similar pattern of monopoly development, albeit without state ownership of any facilities, in the United States over the same time period (see Du Boff, 1980 and 1984)

In telephony, fifty years of rancorous competition combined with many forms of legal and illegal price competition (see Babe 1990:126ff.), had brought an end to hundreds of independent telephone companies. The privately owned Maritime Telephone and Telegraph Company, New Brunswick

Telephone, the Bell Telephone Company of Canada, British Columbia Telephones and the Avalon (Newfoundland) Telephone Company came together along with the three provincially owned Prairie telephone utilities to form the Trans-Canada Telephone System (TCTS) (Wilson, 1990:5). Although many small independents were still in existence, the day of the independent as a viable alternative to monopoly was nearing a virtual end (Grant, 1988; Babe, 1990).

The existence of the TCTS long distance network made it more profitable for the two telegraph giants to co-operate rather than compete. Between 1935 and 1938 alone, the public record message telegraph service had declined 11.1 per cent as a total of telegraph company revenues (Babe, 1990:61). Of course this loss of revenue from public message record telegraphy did not necessarily translate into profits that the telephone companies were taking away from the telegraphs. The 1930's was a decade of innovation in telegraphy as the old Morse systems were replaced by sophisticated teleprinters (the forerunners of modern facsimile machines), and with the advent of multiplexing (a system employing one wire to send more than two messages in each direction at the same time), the telegraph companies were able to offer leased dedicated circuits as private lines to major businesses organizations and government (Ibid:60). While the public record telegraph

business was on the decline telegraph companies continued to grow rapidly in these other areas. By 1939, if you wanted to employ long distance telecommunications facilities your alternative was the CNCP network or the Bell dominated TCTS network. For the next four decades these twin giants CNCP and TCTS (later Telecom Canada, now Stentor), would serve as the unchallenged providers of telecommunications in Canada.

The post-war years saw the emergence of the computer, microwave communications and satellites. These presented the dominant carriers of the pre-WWII period with the opportunity for increasing growth and profits. These developments also presented the established carriers with a challenge, especially Bell, as large customers might now turn to potential competitors and the emerging technologies with which to bypass the existing network. For the greater part of this most recent period, multinational capital, especially the manufacturing and retail sectors, has become concerned with accessing global markets and global labour pools the way that agricultural and mining interests had done prior to the war (see especially Rosenberg, 1982).

The chief concern of these companies was to get their many branch plants and head offices connected to each other by means of the most sophisticated communications technologies possible (Financial Post, December 8, 1956:4).

Nowhere in the Financial Post article, as in the vast majority of communications related stories of the 1950's, are costs mentioned. What is most important to the company is the possibility and necessity of "getting connected", while communications technology was being developed to allow companies greater flexibility in dealing with both labour and marketing possibilities (Ibid).

It is not until the mid-1960's that the business pages begin to devote time to the issue of telecommunications costs (Financial Post, May, 8, 1965:55). But even at this relatively late date, articles concerning costs were still outnumbered ten to one by articles dealing with the ways to exploit the new technology and access improving systems. A concern with costs had not yet surpassed the desire to connect to the emerging world wide communications infrastructure. In the age of mass production, mass consumption Fordism, the key was to connect and exploit; telecommunications costs were a secondary concern that would require economic crisis to bring them to the forefront. The market for the telecommunications offerings of the major carriers members soared during these years. For example, Bell's assets more than doubled between 1956 and 1965 while lines of long distance circuits in operation rose from 1 million in 1956 to 1.7 million in 1960 and over 3.1 million

miles in 1965. User demands for long distance during this period saw the daily number of long distance calls placed in 1956 of 317,000 rise to 536,000 by 1965 (Bell Canada, corporate annual reports, 1956-1965). Telecommunications spending rose throughout the corporate sector during this period. [Table 4-1 shows Bell's growth between 1956 and 1975]. As continually rising profits and corporate growth continued, few paid close attention to telecommunications costs and the possibility of seeking rate changes.

Table 4-1

Growth of Bell Assets and Revenues 1956-1975, Selected Years

Year	Total Revenue	Total Property (Assets)
1956	\$273,900,000.00	\$1,066,000,000.00
1965	\$592,900,000.00	\$2,519,000,000.00
1975	\$1,967,000,000.00	\$5,611,000,000.00

Source: Bell Canada, corporate annual reports, 1956-76

The requirements of multinational corporations doing business in Canada also served to pressure governments to respond to international communications needs. Shortly after

WWII the Canadian government took steps to see that a publicly owned crown corporation was put in place to meet the international communications needs of Canadian business. The Canadian Overseas Telecommunications Corporation (COTC, later Teleglobe) allowed the parent companies of Canadian firms to communicate more freely with affiliates in Canada and around the world (B. Thomas, 1986). The development of Canada-European Teletype and early facsimile networks in the 1950's and 1960's was the response of CNCP to this development (Financial Post: May 30, 1959:44). By the end of the late 1960's the government once again provided international networks through the development of satellite systems. Mainly used by business, these systems were built largely from public funds. On the eve of the recurrent crisis of Fordism, which has handicapped economic development in the western world for the past two decades, the public service concept was well entrenched as a policy guideline.

Due to a long series of historical class conflicts and pressures, culminating in the demand for public oversight as was the case with telephony as early as 1908, it had become next to impossible to consider telecommunications in Canada without regulatory oversight. As Armstrong and Nelles (1986) illustrate, the strengthening of the position of the public service concept in regulation in Canada was born out of

conflict. In gas, transport and communication, the lack of public oversight led to many abuses of power and privilege by the private companies charged with the operation of these industries. Between 1880 and 1905 loud public protests, violent demonstrations and the occasional riot, characterized public discontent with powerful utility companies in Canada. Armstrong and Nelles draw attention to such cases as the widespread civil disturbances surrounding the corporate activity of the Montreal Light, Heat and Power Company in 1901 (1986:142). Major eruptions had taken place during the two decades prior to this disturbance in regards to street railway monopolies in both Toronto and Montreal. Public dissatisfaction with these companies was part of an emerging mistrust among workers and consumers in general:

To the extent that the street railroad disciplined both its workers and its riders, it was a harbinger of the emerging social order. The trams, plainly visible on the city streets, offered a glimpse of similar organizational forms taking shape less obviously in shops offices and factories. A uniformed contingent of unskilled workers, closely watched by inspectors and confronted by a hierarchy of managers, marched steadily to the beat of the clock day in and day out. Soon, all the world would resemble a street railway (Armstrong and Nelles, 1986:54).

When strikes broke out, the level of public dissatisfaction was evidenced in the widespread support for the workers of the tram firms. Commenting on a lockout of tramway workers in Toronto who had made efforts to form a union, Armstrong and

Nelles write:

The strike-lockout produced a most extraordinary show of support from carters, cabmen, organized and unorganized workers, and pedestrians. When strike breakers attempted to operate the streetcars, teamsters (mainly local carters), blocked their way, mobs derailed a few cars, and rowdy sympathizers simply unhitched the horses and sent them back to their stables (1986:50).

Armstrong and Nelles provide insight into the quandary that such public disturbances created for elected officials:

The revolt against discipline and disappointment necessarily pitted the cities against the companies. At the moment of the crisis of the mid 1880's, the cities had the choice of either renewing street railway companies contracts on different terms or of taking over the properties themselves. ...The City of Toronto, ...snatched the street railway from Smith's [the owner] grasp even before it knew what it was going to do with it (1986:54).

It is very important in our discussion of the development of the Fordist social contract in Canada, that we understand it as a response to the lack of public confidence in big companies in the early years of this century. The social contract which emerged was very much an effort to promote social harmony in terms of both stable production and stable consumption of goods and services. Canada's social contract, and especially that part of it which we witness in the public service concept of regulation, became entrenched as policy makers attempted to lessen social conflict. Capital could continue to grow and prosper but its worst

abuses, as well as intra dominant class conflict, would be monitored and regulated by the state. The emergence and development of the public service concept of regulation in the United States followed a similar pattern, in that it attempted to ensure stability by providing both mass consumption and a class of consumers for the emerging mass market (Stone, 1989:14).

As long as economic growth continued at a satisfactory pace, unimpeded by crisis, the social contract and public interest concept of regulation saw to it that large users were provided with the telecommunications systems they required, either private or public. Meanwhile, regulators were convinced that universal access to a telephone was guaranteed by a long-distance to local cross subsidy within the telephone rate structure. However, the years of economic crisis to follow the 1960's would severely challenge this conceptualization of telecommunication provision, rate setting and regulation. By the end of the 1970's both governments and large corporations came to see telecommunications and the whole array of micro-electronic and information industries as a way out of crisis:

Such a gigantic effort of research will allow France to take her place among the few nations capable of controlling their technology, and in particular, protecting their independence...Electronics...in conjunction with the work of French scholarship will

place our country in the first rank (French president, Francois Mitterand, January 13, 1982 in H. Schiller, 1984:2).

The last decade in Canada may be described in theoretical terms as a period of the restructuring of established Fordist regime of accumulation. In this, a sustained offensive has been mounted against working class interests as corporations struggle to cope with a nearly crippling crisis of profitability (Jenson, 1989). The movement away from Fordist principles of regulation has signalled the employment of the state and political agency by powerful and well organized business interest associations, in an effort to maintain the dominant system of capitalist growth. This project has taken on a much broader scope than telecommunications. We have witnessed restructuring in most sectors--new kinds of work and production methods, even in clerical jobs. But telecommunications and the related information and microelectronics industries are clearly understood as central to the process of recovery from economic crisis.

Voices from the U.S. private sector, including Robert Inman, formerly of the Micro-Electronics and Computer Technology Corporation, have made many appeals to political leaders: "The information industry is growing at a rate of 15 percent a year. That's a trillion dollar industry in the

1990's. That's 15 million jobs" (Inman, in H. Schiller, 1984:5).

Canadian Communications Minister Francis Fox added to the growing rhetoric of the day while speaking to a meeting of the International Association of Business Communicators in Montreal:

...Canada must not only retain a growing share of its own marketplace, but must also gain an appropriate share of the global market...Canada cannot afford to miss this opportunity...we must apply the new technologies to modernize our existing business and manufacturing operations and create new jobs in emerging industries (September 20, 1982 in H. Schiller, 1984:4).

As momentum for change in approach to crisis management began to favour high-technology and telecommunications development, a series of new rules and policies would have to be crafted to meet the demands of new times. This effort would present a significant challenge to the established social contract in Canada, especially the public service concept of telecommunications regulation.

At a more general level, the most severe challenge to western governments in recent years has been to maintain the legitimacy of capitalism in the face of rising demands for accountability. For decades the state has had to resolve intra-class and inter-class conflicts by regulating industry in a number of ways: taxes, subsidy, tariffs, control by statute or oversight by regulatory commission. Within

telecommunications, the average user received good, relatively inexpensive telephone service while the government subsidized the development of international networks for business. What has changed now is both the nature of economic crisis and the players appearing as intervenors before regulatory commissions. In Canada, the great documents in regulatory history do not include the kind of recent judicial decisions as in the United States, rather they are the decisions of tribunals appointed at arms length to the cabinet [structurally similar to the FCC within the context of the state apparatus].

From 1900 to the end of WWII North American capitalism was transformed from the age of the "robber barons", i.e. intensive accumulation and monopolistic regulation, to a period of extensive accumulation and Fordist regulation--a period of much greater stability with mutual benefits for both workers and capitalists. As Fordism was a solution to the crisis of an earlier period, today the emergence of what are coming to be called "neo-Fordist" relations are the result of policy efforts by political and economic elites to solve the crisis of Fordism. Stated in the most brief terms, Fordism provided a mass market to solve the crisis of underconsumption. Today, the emergence of neo-Fordist relationships, characterized by a primary focus on

international accumulation strategies, seek to address the "accumulation" crisis of the contemporary period. In telecommunications we see large multinationals lose interest in the previous social contract as they must seek to maintain profitability. In terms of policy this has seen the effort to forge a new social contract, one more dependent upon the market as a regulator through a more competitive environment. This facilitates both the development of global private data networks and the reduction of domestic telecommunications costs for the largest users.

Regulation in Canada today, as in the past, is a means of maintaining equilibrium despite conflicting class forces and an unstable economic environment. In order to maintain the long term interest of capitalism as a system, the state has acted to promote political stability and continued future economic growth. (Chapter Nine discusses the emerging social conflicts that already pose a challenge to this new order).

Now let us turn to an examination of the emergence of that concept in regulation that has characterized the historical context of the evolution of regulatory agencies and policy in this century. This analysis will provide us with the foundation upon which to develop further insight into how it is that the rules are changing today as the result of structural changes involving the interplay of

powerful institutional forces.

(iii) The Emergence of Telecommunications on The Agenda Of The State: A Brief History of Regulatory Boards and Commissions

The CRTC is responsible for regulating those telecommunications carriers which are under federal jurisdiction--Bell Canada, B.C. Tel, Northwest Tel Inc., Terra Nova Telecommunications, CNCP Telecommunications and Telesat Canada. Other telecommunications companies, including those provincially and municipally owned, are regulated by the provincial authorities. The Commission's mandate concerning telecommunications is derived from several federal statutes, including the Railway Act, the National Telecommunications Powers and Procedures Act, [formerly the National Transportation Act] and the various acts of incorporation of the federally regulated carriers. Section 320 of the Railway Act, for example, requires a carrier's rates for services to be filed for the Commission's approval. Section 321 states that all such rates must be just and reasonable, and that a carrier shall not unjustly discriminate or give undue preference or advantage in respect of its rates, services or facilities. A CRTC decision may be appealed under section 63 of the National Telecommunications Powers and Procedures Act. It can also be appealed to the

Federal Court of Appeal. The Cabinet, under section 64 of this act, can vary or rescind CRTC decisions [as in the Call-Net cases] but cannot order the Commission to reconsider a decision. An appeal against a CRTC decision may be made to the Federal Court of Appeal only on a question of law or jurisdiction. The Cabinet does not theoretically have the power of policy direction over the CRTC but does appoint its commissioners (see Bell Canada, April, 1988:3).

The new Telecommunications Act currently before Parliament, will see the CRTC assume jurisdiction over almost all aspects of telecommunications regulation in Canada including the regulation of the three Prairie telephone companies [AGT, Sasktel and Manitoba Telephones]. This act seeks to increase the control of the government over the CRTC by "giving the government the right to provide the CRTC with policy guidance" (Mosco, May 1990:55). Chapter Nine will discuss the significance of this act and the restructuring of regulation in Canada. At present, it is important to understand a little more about the historical emergence of the CRTC by way of a brief synopsis of the activities of its forerunners.

(a) The Board of Railway Commissioners (1906-1938)

At the turn of the twentieth century there were calls from many parts of Canadian society for public ownership of the telephone system and all railways and telegraphs. The Conservative Party stood as the only significant political force seeking to keep these important transportation and communication systems in private hands. William MacLean (an independent member of the federal parliament for York from 1892-1926), was the chief parliamentary proponent of a public network and public oversight. MacLean pointed to conflicts of interest among parliament members who held shares in the telephone and rail companies in Canada. In this effort MacLean received the support of the popular press in several large urban centres across the country (he was a former Toronto Globe reporter who by now owned the Toronto World). In 1905 Parliament received petitions from nearly 200 municipalities demanding local government oversight over the erection of Bell poles and wires in their jurisdictions. The Union of Canadian Municipalities soon after called for all telephone systems to be acquired by the government (Babe, 1990:93-94). In many centers, journalists like William MacLean led widespread demands for better oversight of telephone and insurance company rates (Armstrong and Nelles, 1986). These voices were joined by the Dominion Grange

Commission which demanded that the federal government operate trunk lines in an effort to encourage the development of municipal networks (G. Britnell, 1934:11).

In 1906 and 1908 the Railway Act was amended to extend the authority of the Board of Railway Commissioners (BRC), giving it jurisdiction "over telegraph and telephone companies, their tolls and tariffs, standards, contracts, and agreements". The 1908 amendment increased Board membership from three to six with a superior court judge to sit as Chief Commissioner. (Railway Act: (6 Edw. VII, c. 42.); (7-8 Edw. VII, c. 62, sec. 320-321). The granting of authority over tariffs and rates was an indication that Canadians had succeeded in gaining some degree of public oversight in future developments concerning the telephone and its rates. As public oversight was entrenched in legislation, Bell and other private telephone companies outside of the prairies avoided nationalization (Grant, 1988:3).

As in other sectors, the regulation of telecommunications in Canada had begun in response to class conflict resulting in widespread demands for accountability. This highlights the reality that from the outset, the regulation of telecommunications in Canada was based on political decision making and was the outcome of the interaction of various institutional-class forces. As such, regulation has both

reflected and legitimated the dominant structure of telecommunications in Canada. Public service regulation in its day was as much an ideological choice as are current moves to market forms of regulation. Telecommunications was so linked to the railway at the turn of the century that when it came time to place the telephone on the regulatory agenda, a natural arena for seemed to be the Board of Railway Commissioners. In terms of telecommunications, the three-person Board of Railway Commissioners served as the sole regulatory agency whose main task was to rule on proposed changes to telegraph and telephone rates. The main intervenors before the board were independent telephone and telegraph companies, or the established dominant carriers. There were no advocacy groups representing either consumers or large users of telecommunications (see Board of Railway Commissioners: Transcripts of Hearings, 1904-1955, (Vols. 1-488); and, Board of Railway Commissioners: Orders, 1909-1952 (Vols. 723-753), and Board of Railway Commissioners: Minutes of Meetings, 1918-1956, (vols. 753-755); Public Archives of Canada, Federal Archives Division, Records of the Canadian Transport Commission, RG-46).

In "pre-Fordist times" [Fordism may be said to have taken on most of its form by the end of WWI], there were no guarantees of universal service. In fact, as Babe has shown,

the opposite was the case where Bell Canada was concerned: "Bell chose to concentrate on serving lucrative urban areas" (Babe, 1990:89). The whole notion of universal service grew out of early public demands from across the country for public oversight over the development of the telephone and its rate structure (Armstrong and Nelles, 1986:188-89). By accepting the demand for universal access to its equipment and facilities, Bell and other telephone companies were able to guarantee their own corporate growth as private corporations so long as they met public objectives. A similar trade-off of interests took place in the United States. The telephone companies' response to the emergence of a "public service" notion of regulation was expressed at this time by then AT&T President Theodore Vail:

It is not believed that there is any objection to public control provided it is independent, intelligent, considerate, thorough and just, recognizing that capital is entitled to fair return and good management or enterprise to its reward (AT&T Annual Report, 1907:18).

In Canada, much the same path was followed as Bell Telephone company leaders sought to justify a private monopoly by making it a regulated public trust. Thus Bell Canada and other private companies were able to prosper under the Board of Railway Commissioners while satisfactory levels of telephone penetration took place across the country

(Armstrong and Nelles, 1986:202-03). Throughout the years of its mandate over the telephone the Board of Railway Commissioners seldom intervened (Armstrong and Nelles, 1986:210). Board members held to a judicial conception of equity and a healthy respect for private property. Most politicians and all but a few regulators believed that a limited amount of government oversight was necessary, but only a limited amount. The corporate veil was sacrosanct (Babe, 1990:179). Due to this political view prevalent among policy and regulatory elites, the public service concept of regulation emerged slowly as the government had to respond to various legitimation crises from time to time, as in 1906-08 when public oversight was granted over telephone networks and rates by the BRC.

It is not correct to say that the telephone company "captured" the Board of Railway Commissioners or that the Board felt obligated to uphold the interests of those it regulated. Rather, in the case of the BRC, it is more correct to say that the Board operated quite efficiently within a set of fairly severe structural constraints. Like most regulatory agencies of its time the BRC was bound by a number of factors: (1) The basic statute that gave the agency its authority laid down specific rules for the BRC's regulation of telecommunications; (2) The cabinet held

budgetary leverage over the BRC as it does over the CRTC today; (3) A tradition in law establishing the rights of private companies like Bell; and, (4) Media leaders and the citizenry demanded accountability from politicians who in turn appointed the board. For this reason we must avoid the point of view relied upon by Babe, of focussing only on the interaction that takes place between the dominant telephone company and its regulator. Although such a focus is often rich in historical material while uncovering key elite linkages, it ultimately fails in that it is not expansive enough to consider broader structural factors that influence the regulator and the monopoly to act as they do.

(b) The Board of Transport Commissioners (1938-67)

A changing political economic climate in response to the economic crisis of the 1930's brought demands for changes to the way in which telecommunications was regulated. In the United States the Federal Communications Commission was created in 1933. In Canada, broadcasting and telecommunications would continue to be regulated separately, the former under the Canadian Broadcasting Corporation and the latter switching to the Board of Transport Commissioners (BTC). Governments were forced to respond to an important crisis of confidence on the part of the public in the

corporate sector. Increasingly, the corporate sector was beginning to be held accountable for the collapse of the stock market in 1929 and the prolonged economic crisis which followed. The recognition on the part of government that the pre-Fordist regime of accumulation required more government management saw the rise of a new mode of regulation. This "monopolistic mode" of regulation, in Lipietz's terms, saw the state become increasingly involved in economic management and socio-economic planning. Witness the creation of the Bank Act in Canada (1934), employment programs and the creation of a significant portion of the present civil service between 1930 and 1950. In all sectors of the economy, governments were besieged with class conflict resulting in protests and demands for reform.

Again, as in 1906-08, social conflict saw reform in telecommunications regulation. Change and conflict meant that the telephone and the telegraph were now too important to be left as a secondary concern of a regulatory body like the Railway Board. With the telephone monopolies putting so many small independents out of business, demands arose for the creation of a separate regulatory panel to handle only communications and communications-related transport. Decades of Bell's failing to connect independents and charging artificially high or low rates (depending on which drove out

a competitor) had brought calls for a more thorough accounting of events on the part of regulators. In general it was felt that the BRC had failed to act to control Bell's drive towards monopoly.

Indeed, the most important telecommunications decisions during these years [the regulation of microwave network development, the introduction of telex systems, the development of the COTC later Teleglobe in 1949, and the development of satellites in the late 1960's] were handled by the cabinet through orders in council (J. Chevereaux, February 1, 1982:B1). This interesting silence on the part of the regulatory board reveals that the old telecommunications social contract experienced a prolonged period of relative harmony between providers and users during the period after the war. The goal of universal service steadily increased with each passing decade and the corporate world gained access to increasingly sophisticated computerized telecommunications facilities. [A table showing rates of universality in Canada and the United States appears in Chapter Six]. As continued economic growth and government spending on social development programs grew, social conflict lessened. As long as the Fordist regime of accumulation continued to function without crisis, social conflict and demands for reform did not appear on a widespread basis. As

such, the regulation of telecommunications was a rather unproblematic affair between the time of the creation of the Transport Board in the 1930's and the middle of the 1970's when economic crisis again emerged within the dominant regime of accumulation.

During the tenure of the Board of Transport Commissioners, cooperation was complemented by competition in private line services, especially those for the government. The CBC for instance, would use both TCTS and CNCP systems for national services (K. Wilson, 1990:4-6). In the early 1950's, as microwave began to replace land lines as the most efficient form of record and long distance voice communication, this pattern continued. When it came time to regulate microwave, the decision was not left to the regulator but taken directly by the Cabinet itself. While maintaining the public network character of long distance voice services, the Cabinet decided in favour of competition in microwave services. Bell insisted that the telephone industry alone should develop microwave, but the Department of National Defense countered that CNCP's competition would spur on development in this new and exciting field. [Remember also that CNCP was 50 percent government owned at the time]. CNCP involvement kept the government both involved and informed in the development of the vital

technology.

The fact that Cabinet intervened directly in important telecommunications matters rather than a CRTC style regulator, is indicative of the policy process of the 1950's and 1960's under a regime of accumulation that was reproducing itself without widespread social ruptures. At this time there was no official "telecommunications plan" for Canada by either government or the corporate sector. When corporate and public communications needs were expressed they were satisfied by either or both CNCP and the TCTS network. With a judicially-oriented panel such as the Board of Transport Commissioners, real policy initiatives according to preset policy agendas were not possible. Thus, the policy focus remained with the Cabinet and this is why microwave and satellite technology remained Cabinet decisions. The kind of regulatory mechanism in place during this time period was not mandated to handle policy issues. Later, when user groups pressed their demands the Cabinet would have to create the proper "arms-length" policy/regulatory mechanism in the 1970's. Canada's cozy parliamentary-style approach to regulation by Cabinet and its appointees would continue in form, but the style would soon come to reflect the United States' adversarial "hearings" approach.

As for the dominant telephone carrier, Bell saw its

corporate profits rise annually alongside opportunities for investment. Bell managed to ensure that the company might take advantage of these investment opportunities without seeing non-telephone revenues fall under the purview of the regulator for rate setting purposes. Up to 1966 regulation of the telephone had been based on the company's earnings per share. Now that Bell sought to move outside of the traditional telephone business, it succeeded in having the Board of Transport Commissioners change that format to rate of return on the rate base. This would ensure that only Bell's telephone revenues were considered when rates were established (Kennedy, 1988:37). In 1981 this issue reappeared before regulators as we will see in Chapter Seven.

c) The Canadian Transport Commission (1967-76)

Bell's moves beyond traditional telecommunications activities, changes in the United States, the development of microwave and satellite technology, and the marriage of the computer to telecommunications put pressure on the cabinet to respond with an embryonic national telecommunications policy for Canada. The creation of this infant policy saw practical measures such as the reorganization of the Federal Ministry of Communication (Department of Communication or DOC) and the reorganization of the Board of Transport Commissioners under

the Canadian Transport Commission. The Canadian Transport Commission took over the duties of the Board of Transport Commissioners but the change did little to alter the style of regulation of telecommunications in Canada, as it was still very much a judicial format with a panel of judges to hear the evidence and respond with a decision. The active or interrogative role of the regulator was limited (Kennedy, 1988).

Under this format the CTC could do little to assuage the growing conflicts both of traditional telecommunications boundaries and those between users and suppliers of services. The emergence of demands for rethinking monopoly, the introduction of competition, and the convergence of the computer and telecommunications boundary issues signalled the end of this harmony under the old Fordist telecommunications social contract. As economic crisis set in, corporate leaders began to turn to cost cutting measures within their organizations. Because telecommunications was a high growth area in terms of company spending, most corporate leaders turned their attention to this aspect of corporate operations in an effort to ascertain whether their company was getting its money's worth.

What really fanned the fires of change was the CTC's attitude towards intervenors and the public hearings process

in general. In 1975 the CTC refused to grant costs to intervenors even if they could prove their case correct and receive an agreeable settlement. In responding to the request, then CTC commissioner John Gray said:

When a public interest group appears before the CTC it usually retains the assistance of experts to assist it in the presentation of its views. ...The academics sometimes have no personal knowledge or experience in the industry being regulated... The consultant, usually handicapped by some lack of knowledge and experience, often earns the same criticism, and in addition, probably feels obliged, to earn his pay, to make out some kind of case against the industry. For these reasons the views of such experts tend not to be helpful (CTC Report 19, August 1975: 65,69 in Babe, 1990:165).

In 1975 the Commission stated that it wished to avoid, wherever possible, "frequent, lengthy, and expensive public hearings" (Ibid).

By the early 1970's Cabinet decided to move create a more policy-oriented regulatory body. As the then Minister of Communications (Gerard Pelletier) put it:

The powers of the CTC are suitable only for the broad economic regulation of a particular corporate entity, and are not related to any statutory national policy and objectives, such as the vital importance of east/west communications to the sovereignty and economic prosperity of Canada, and to the preservation of its social and cultural identity (Canada, DOC, 1973:13).

This effort saw the birth of the Canadian Radio-television and Telecommunications Commission (CRTC) along the lines of the model of regulation sanctioning the FCC in the

United States. Telecommunications was now important enough on the agenda of the state to be completely divorced from transportation. The CRTC would handle telecommunications in a manner more in line with a "policy-making approach". This would differ greatly in style from the traditional judicial style tribunals that had regulated telecommunications in Canada since 1906.

(d) The CRTC (1976-Present).

Former CRTC Chairperson John Meisel argues that the CRTC is a much more activist and interventionist regulator than its forerunners. This reality, he says, is due to the desire of Cabinet for a better organized national telecommunications plan to handle diverse technological and political conflicts (interview with the author, April, 1990). On the political side, Canada was witnessing the emergence of ever more vocal user groups such as the CBEMA and the CICA to mirror the activities of sister organizations in the United States. On the technological side, a legislatively-oriented body simply could not keep pace with switching and transmission issues without a long term policy-oriented approach. Regardless of the rising demands of the corporate sector, the tangled web of lines and new technologies was becoming too great a task for the traditional style

3

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regulators to handle without some kind of long term policy plan (Ibid). It was no longer possible for regulators to consider one case in isolation from its far reaching effects on other aspects of the telecommunications system and public policy.

The CRTC then, is by the intent of its creators and by its actions, a policy making body. As such it supplanted the former regulatory method of adjudicative action with the role of interrogator (Ibid). Under the tenure of the CRTC assumptions of natural monopoly have been questioned and reevaluated, competition has been slowly introduced to almost every aspect of Canadian telecommunications (see Rideout, 1991), and the focus of regulation, as the cases to follow reveal, has shifted more towards corporate and industry needs than to former concerns for public service and universality of access to services.

The first test of the CRTC came in the late 1970's when CNCP telecommunications moved to gain increasingly competitive access to Bell private line business. If CNCP and its supporters had their way, the whole Canadian telephone system would be opened to competition [see Chapter Six]. However, we should understand that the CRTC came into existence with the public service concept of regulation still very much at the forefront of its mandate. In the 1979 CNCP

case, the CRTC argued that goals of universality were important and that the impact of changes to the private line system would have to be weighed against possible negative side effects to telephone subscribers in the Atlantic provinces and on the prairies (Canada: CRTC, Telecom Decision, 1979-11:102-105). The CRTC expressed this guiding regulatory principle of its early years most clearly in its 1979 decision:

The Commission has concluded that it is necessary in the public interest to protect MTS and WATS services from direct competition and therefore agrees that CNCP should not be permitted to offer the equivalent of public long distance service. (Canada: CRTC Telecom Decision 1979-11:245).

Here the CRTC is saying that it accepts the "cross subsidy from long distance to local" argument of the phone company as a social good and will protect it. This was exactly the case Bell made. But Bell had argued that a move to limited interconnection as this application was granted would lead to the use of interconnection facilities for long distance voice services. The Commission agreed that this was a concern, but decided to allow interconnection with absolute restrictions and monitoring of CNCP to ensure that it was not providing long distance voice. The CRTC has faced a mounting challenge since that time to open the system to competition. A significant contribution of the remainder of this thesis

details how the forces of competition have slowly eaten away at the public service concept that formerly dominated the CRTC's mandate in its early years.

(iv) The Public Service Concept And Canada's Telecommunications Social Contract

(a) The Public Service Concept

The idea of a public service company comes to North America from English common law. Since the fourteenth century's legal conception of "a common calling", common law judges have struggled for a precise definition. Policy makers over the past century have wrestled with a similar dilemma. Out of English common law has developed the concept of a "public service company" as one with certain social obligations beyond the balance sheet. When commissions were brought into being to regulate transport, electricity, gas, water, finance, communications and other sectors, their basic rules were premised on the public service ideas of the common law (Stone, 1989:27; Armstrong and Nelles, 1986:36-37). In their most simple terms, the characteristics of the public service or public utility concept are: (1) an obligation to serve the public without unjust discrimination; (2) rates low enough to achieve universal service. This kind of regulation closely governs price, entry into and exit from industry, and the specific routes and markets that may be

developed. The instrument has such widespread effects on society that all should possess it; and, (3) the understanding that in some sectors, the unrestrained mechanisms of the market will probably not provide significant segments of the community with the service or product in a sufficient way or in sufficient quality. This has served as the basis of the case for established patterns of long distance to local telephone rate cross subsidization (Stone, 1989).

We should note however, that the public service concept has never been an ideal solution. Although it has provided the basic criteria for entrenching important social goals, it has also allowed monopolies like AT&T and Bell Canada to represent their corporate interest as the public interest. In Canadian telecommunications regulation the accomplishment of social goals and regulation has been the result of the reconciliation of the interests of providers and consumers. In this process, business had certain innate advantages that could be enhanced by the kind of regulatory process chosen (Coleman, 1988). Any desire for regulation came after acceptance of the notion as inevitable that big companies had to work hard to get the kind of regulation most beneficial to them. This is not to say that a company like Bell Canada or a consortium like TCTS (now Stentor) set the regulatory

agenda and captured their regulator. It does, however, mean that certain powerful groups have long experienced a favoured position before regulatory tribunals in Canada. This leads us to question the place of the public service concept of regulation in the greater Canadian social contract.

(b) The Telecommunications Social Contract In Canada

One thing is certain: since 1970 the evolution of new forms of market regulation are based on the rupture of the old social contract due to conflicts between different user groups and the telephone monopoly itself. The social contract changes over time in any given country reflect the interplay of power among unequal classes on the state apparatus. As an important contribution of this thesis is to show how the contract has changed and is changing, it is important at this juncture to discuss what it looked like in the past.

Prior to WWII the social contract in Canada was very much a nineteenth century concept. During this period less powerful classes had a vote, but income security was highly tenuous. Access to telecommunications technology was a matter determined by your place in the market. Although regulatory bodies conceived of devices such as the telephone in terms of a public utility, the notion of universal service

would not guide policy decisions until after the 1940's. In the postwar version of Canada's telecommunications social contract the telephone companies, large and small users alike, telecommunications workers and government allowed a monopoly to exist in exchange for the promise of public accountability. A keystone of this accountability rested on the principles of the telephone as a public service device to be dispersed as widely as possible throughout Canadian society. While the needs of the monopoly were satisfied, so too were those of the general public. [we have seen that much telecommunications regulation in Canada was a response to social conflict and mass movements]. Business users had access to private lines at reduced rates on a competitive basis, while an alleged cross subsidy from long distance to local rates was understood to ensure a revenue pool for cost averaging to support universal service principles.

Today, the global and continental structural relationships influencing Canadian telecommunications policy have shifted. Telecommunications is now so vital to business that large user groups match the power of the telephone monopoly. This is the era when telecommunications are deemed so vital by business that it is too important a sector to leave to the telephone company any more. As telecommunications policy has been transformed in Canada due to

the increased vocalness and pressure of these industry players, regulators are moving away from this Fordist version of the telecommunications social contract. This is placing the old telecommunications social contract in jeopardy. Former guiding principles of universality and the public service concept are being supplanted by efforts to promote user-pay services and competition. The market is now touted as the best mechanism of regulation over former Fordist conceptions of public accountability.

The old social contract was the product of a negotiated consensus. The telephone was not nationalized, but the public had a key role in seeing that rates were justified and the technology was dispersed in a non-discriminatory manner. Contradictions arising after the onset of economic crisis have challenged the dominant policy consensus in Canada. Although we cannot be entirely sure what the new set of social relations and the new social contract will look like, it is possible to speculate, based on mounting evidence, that it will be much more in line with the needs of the minority--the large users of telecommunications services.

As Jenson (1989) has demonstrated, the balance between stagflation and inflation during the 1970's in Canada was determined by conflicting class forces. The Canadian state, as a central aspect of the institutional forms of class

relations, has therefore become a site of struggle. The bulk of this chapter has spoken to both sides of class conflict: intra-class conflict amongst telecommunications elites, and, in our discussion about the development of the social contract, inter-class conflict between different groups of telecommunications users. In the recent drive towards continentalization of Canadian policy (see Chapters Five through Eight), the ruling class has taken the early advantage in the forging of new policy initiatives. The changes affecting the post-WWII social contract involving economic restructuring will be very much more than a technical matter for management. People's national and personal identities are at stake and their lives are being reshaped in relation to one another. As was the case earlier in the century, it is doubtful whether elites will continue to have an unchallenged path to the future for much longer (Menzies, 1988:40). In Chapter Nine we will return to the theme of inter-class struggle in an effort to elaborate on working class responses.

(v) Telecommunications Since 1970: User Groups and the Emergence of the "Market-Driven" Concept of regulation

(a) User Groups and Competitors

There are five central groups of large telecommunications users in Canada who have been seeking to reshape the policy

process over the past twenty years. These organizations represent the largest corporate interests of bourgeoisie users of Canadian telecommunications. These are: The Canadian Business Telecommunications Alliance (CBTA), Canadian Business Equipment Manufacturers Association (CBEMA) now called the Information Technology Association of Canada (ITAC), the Canadian Association of Data and Professional Service Organizations (CADAPSO) and the Competitive Communications Coalition (CCC). As a bloc of powerful private sector interests, these user groups command the attention of policy makers today, the way only Bell Canada and Telecom Canada consortium could in the past. All together, there are over forty business interest associations in the communications sector of the Canadian economy (Coleman, 1986:138); this thesis will deal only with those most relevant to the telecommunications policy process in recent years.

The power and influence of these groups cannot be overstated. Behind the scenes manipulation of social policy has been well documented (see for example, Langille, 1987). Barlow has detailed the way these subtle processes work in her study of the Canada-United States Free Trade Agreement:

Given the already unacceptable high level of foreign domination in Canada and the dramatic potential for expanded exploitation by U.S. multinationals in the future, the single most

important aspect of this agreement for Canadians must be the collusion that took place between the American coalition, the Canadian alliance [led by the Business Council on National Issues], and our own government (Barlow, December 1990, 21).

Barlow details how a United States-based lobby group was formed by American Express, a company whose international lifeblood flows across communications networks, worked with PARG, a Canadian holding company that owned Public Affairs International (PAI). PAI is a lobby firm with strong ties to the national Progressive Conservative Party. The PAI group includes Decima [Allan Greg's research company]; and a strategy group called Public Affairs Communications Management (PACM), operated by Nancy McLean [a senior government advisor close to the prime minister], who has played a key role in the political lives of William Davis, Grant Devine, Richard Hatfield and John Buchanan. The PARG-PAI-Decima-PACM network worked closely with the Business Council on National Issues (BCNI) and its media outlet (the Canadian Alliance for Trade and Job Opportunities or CATJO), to press the cause of the trade deal with senior policy elites.

The presence of McLean guaranteed, according to Barlow, that the corporate lobby was tied directly to Prime Minister Mulroney's office and the most senior people in cabinet: The way was cleared for a joint strategy involving the most

senior levels of government and business in this country". Another PARG subsidiary, the Washington D.C. based Government Research Corporation (GRC), worked for American Express to bring the Business Roundtable in Washington's interests to the Canadian alliance. PARG connected policy and corporate elites on both sides of the border for a concentrated lobbying effort (Ibid:21). To understand the impact of this lobby effort on Mulroney's approach to free trade we need only read this campaign statement made by the Prime Minister, one year before the lobby effort commenced:

Don't talk to me about free trade. That issue was decided in 1911. Free trade is a danger to Canadian sovereignty. You'll hear no more of it from me. (Brian Mulroney, Progressive Conservative Party leader, 1984 Campaign speech, In Canadian Dimension, November, 1987:4).

In order to gain an understanding of why these processes work in telecommunications itself, it is useful to briefly assess one exchange between a corporate leader and a minister of communications in the past decade.

In 1983 Communications Minister Francis Fox accepted a CRTC report calling for new regulatory legislation to be enacted to oversee Bell after its reorganization period. Less than one hour before Fox was to address his Cabinet colleagues for permission to draft the enabling legislation, Bell CEO A.J. de Grandpre paid an unannounced visit to Fox's office in a last ditch effort to head off the minister. Fox

was informed that vigorous lobbying by Bell had seen to it that less than a small handful of ministers would support Fox's initiative. An aide to Fox told Lawrence Surtees of the Globe and Mail this story and it was reprinted in the July 1986 Report on Business Magazine:56. The aid also told Surtees that what upset Fox more than the lobby effort was the way in which De Grandpre treated Fox like an employee. (Fox had worked for de Grandpre's Montreal based law firm from 1966 to 1969). de Grandpre was also a former classmate of then Prime Minister Pierre Elliot Trudeau in the 1940 graduating class of Montreal's Jean de Brebeuf College (Ibid). [For a detailed account of the management of Bell Canada under John de Grandpre, see Surtees 1992].

Although a good deal of this sort of backroom lobbying takes place, it is possible for the purposes of this study to show the impact of the interest associations without an instrumentalist discussion of such lobby efforts in any great detail. For the most part we can garner sufficient evidence from statements contained in CRTC documentation, hearing transcripts, evidence and exhibits to clearly demonstrate what the business interest groups want. Telecom decisions made by the CRTC reveal the extent to which the organizations in question have got what they wanted.

When CNCP Telecommunications began to make ready its

plans to compete in long distance telephony, these groups immediately began to work to convince policy makers that competition would be good for all Canadians. The leading force among these groups has for some time been the Canadian Business Equipment Manufacturers Association (CBEMA). Formed in the mid 1960's CBEMA was originally a trade association for makers of office machines and related technology. The emergence of computerized telecommunications and the possibilities these presented for lowering corporate communications costs in a time of crisis, led CBEMA to modify its role as an interest group. Since the late 1970's CBEMA has stood before the CRTC as the leading proponent of pro-competitive telecommunications policies. Alongside other user and provider groups, CBEMA was successful in persuading the CRTC to open private line services to competition in 1979. In 1982 the CRTC was again persuaded to adopt a competitive policy regarding customer premises equipment.

Information technology and telecommunications policy have become so vital to the activities of CBEMA that in 1987 they renamed their organization the Information Technology Association of Canada (ITAC). ITAC has come out in support of the recent CNCF effort to compete with Bell and Telecom Canada in public long distance services. ITAC's position before the CRTC has been to promote competition policy

wherever possible in Canadian telecommunications: "Canadian citizens should have access to the broadest possible range of competitive telecommunications products and services" (ITAC, August 17, 1990:2). ITAC consists of the leading 300 firms operating in Canada with combined annual revenues exceeding \$30 billion (Ibid). ITAC represents the very elite among Canadian telecommunications users. [The corporate membership of ITAC, the CCC, CBTA and CADAPSO are listed in Appendix Two].

A second large and important group is the Canadian Business Telecommunications Alliance CBTA. CBTA was originally formed in 1962 as the Canadian Industrial Communications Assembly (CICA). An organization of over 300 major users of telecommunications, CBTA stands as a powerful force before the CRTC representing the most powerful users of telecommunication services in Canada.

Another well organized and powerful group of companies in the data processing sector has formed CADAPSO, the Canadian Association of Data Processing Service Organizations. Originally formed in 1970, CADAPSO represents the leading 300 firms in the data processing sector. This sector, like the CBTA and the ITAC, has a great stake in ensuring a competitive and unregulated telecommunications environment in Canada for the future:

CADAPSO is firmly against any regulation of services other than the basic telecommunications services provided by the communications common carriers (CADAPSO, February 2, 1984:4).

As resellers have entered the telecommunications market, the dominant carriers have responded by making every effort to capture the enhanced services market. This has led CADAPSO to express the following concern:

It is with increasing concern that our member firms view the common carrier [Bell] attempting to expand its range of services to include enhanced services very similar to those offered by CADAPSO members and others in the information processing industry in Canada (Ibid).

Another business interest association working on behalf of large telecommunications executives is the Communications Competition Coalition. This group was formed in November 1989, primarily to prepare the multinational user community's support for Unitel before the CRTC in the bid to open up MTS/WATS competition. The CCC, under Monty Richardson stated in this case, that "the CCC has been created to assist in whatever way possible in the effort to ensure that true competition prevails in Canadian communications (CCC Press Release, March, 1990:1). The CCC is made up of executives from major users of telecommunications from the raw materials, transport, banking and financial sectors in Canada (Ibid:2). Richardson has stated that he does not necessarily support duopoly as a proper substitute for monopoly. His

organization is concerned with the failure of duopoly in the U.K. As such, the CCC is attempting to ensure that not only Unitel, but also other companies may soon compete including United States-based carriers, for the Canadian market (Gates, November 29, 1990).

The final group of powerful private sector interests attempting to reshape Canadian telecommunications policy is the Association of Competitive Telecommunications Suppliers (ACTS). ACTS represents the efforts of CNCP and other would-be providers of services and technology before the regulators. Together, the companies of ACTS hold over 75 percent of the Canadian market for telecommunications equipment and services (ACTS, June 6, 1988:2-3).

ITAC, CBTA, CADAPSO, CCC, and ACTS represent the interests of other powerful business organizations including the Canadian Manufacturers Association (CMA), Canadian Bankers Association (CBA) and the Canadian Petroleum Institute (CPI). These and other large industry users of telecommunications have banded together to forge a successful effort to liberalize competition in Canadian telecommunications. As the major proponent of competitive telecommunications services to replace old public monopoly networks, the United States has provided continental pressures to bring Canadian companies in line with American

regulations and practices. In response to these pressures, the five major user and provider groups listed above have taken important steps to reshape the policy process in Canada. Their efforts in this regard are detailed in the chapters which follow. Before embarking on this evidence, it is important to point out the nature of the alternative regulatory formulation that these groups are seeking.

A second or "petite bourgeoisie" class of users, small and medium sized businesses, have been represented by the Canadian Federation of Independent Business (CFIB). The CFIB describes itself as a political action group that represents the interests of small and medium sized Canadian-owned enterprises. The Federation currently has about 80,000 members across Canada" (CFIB, February 7, 1989:1). The concerns of the CFIB are discussed in greater detail in Chapter Five.

Average residential users (mainly working class Canadians) have been represented by a coalition of interests including the Public Interest Advocacy Center (PIAC), the National Anti-Poverty Organization (NAPO), Rural Dignity Canada (RDC), and the B.C. Old Age Pensioners Organization (B.C. OAPO). In varying degrees, each of these groups has fought to see that local rate increases experienced by average users in the United States are not be repeated in

Canada, whether or not Canadian telecommunication becomes increasingly competitive. The positions of each of these groups is detailed in Chapters Five and Six. Workers in the industry have been represented by their unions, the Communications Workers of Canada (CWC) and the Telecommunications Workers Union (TWU). What is important at present, is that the reader understand that there are a number of different classes of users with different attributes seeking to participate in the policy process. One of the central contributions of this thesis is to reveal that the interests of large businesses have, thus far, dominated those of smaller telecommunications users before the regulatory tribunals and the government. As we discussed in Chapter One, the different class attributes of the various groups of users and producers create special problems for the state with the emergence of neo-Fordism.

The exercise of class power is neither simple nor a top-down matter. As the following empirical chapters reveal, Canadian telecommunications is characterized by conflict between classes (bourgeoisie vs. petite bourgeoisie, or working class vs. bourgeoisie) and among members of the same class. This intra-class conflict appears in several forms among the bourgeoisie; for example between established carriers and large users who now wish to offer services via

resale networks. As the needs and interests of the powerful corporate block of users change, strange class divisions and alliances emerge. Bell Canada plays to an interest in average consumers in attempting to rebuke the competition in MTS/WATS services. Meanwhile on the resale front, members of the bourgeoisie user groups ally themselves with smaller users and smaller providers in an effort to win eased regulatory restrictions. The class structure of Canadian society becomes manifest in the forging of Canadian telecommunications policy. The class structure of various producers and consumers will be shown to promote many alliances and many conflicts. Ultimately, as the whole concept of production is seen to have become contested, we will understand that the state is faced with a fundamentally contradictory series of class relationships in its effort to regulate telecommunication while maintaining the stability of the economy and society.

(b) Market regulation

The market is itself one form of regulation. By this it is meant that market forces, working independently of the public oversight of regulatory boards, produce a set of socio-economic relations that represents "regulation by the market forces". Underlying the efforts of the large user and

provider groups to reshape the telecommunications policies of Canada more into line with American competitive models is this view of market regulation.

Based on recent revisions to neo-classical economic theory by such writers as Stigler, Buchanan and Kahn, this body of work revolves around the idea of "public choice".

As Stigler has put it:

If consumers had their way, modern economies would be relatively free, productive and progressive, populated by individuals buying vast quantities at low prices, and taxing the rich the maximum amount permitted by their political power or suggested by prudent regard for the health of the golden egg-laying geese (1982:9).

According to this view, all consumers are equal before the market, be they private individuals or large corporations.

Three important themes have emerged from this literature, each of which appeals to the leaders of large corporations: (1) The belief that the market is a autonomous mechanism; (2) A concern with repairing western capitalism from the problems imposed on it from decades of Keynesian regulation; and, (3) Business leaders must take the lead from governments in promoting private sector free enterprise goals (Stigler, 1982:23).

The key characteristics of the "market-regulation" school are then: (1) A liberal pluralist view of the state,

which recognizes the class differences among consumers but maintains that larger consumers must benefit which will allow further benefits to trickle down through the economy; and, (2) A view that market forces more than public oversight provide the best approximation of fairness. In short, free and unrestrained competition is the basis of economic efficiency and future prosperity. This entails a good deal of deregulation and reregulation as we have witnessed in the United States.

What is most important to remember as we embark upon the case studies over the next four chapters is that the market as a social construction, is never really free. Securities regulations, the Bank Act, employment laws regarding equity, and a plethora of other regulations govern the moment-to-moment operation of the so-called "free market". What proponents of market driven regulation essentially want is a changed social contract, one that puts the requirements of major corporate users ahead of those of average users. What Canadians are promised is lower rates and competition; what they may end up with is oligopoly and higher monthly telephone bills. What we are promised is an improved system for everyone; what we may get could be a system that favours the more powerful user. Some administrative research has already admitted the consequences of change for the average

users, or the majority of Canadian telecommunications users:

Specifically, while overall economic efficiency will increase, the direct beneficiaries are a relatively concentrated group. Specifically, Bell Canada estimates that at the end of the rate rebalancing period [rate rebalancing will almost certainly accompany the introduction of MTS/WATS competition], 15 percent of residential subscribers will experience either no change or reduced overall monthly bills. The benefits to business subscribers are somewhat more diffused: 42 percent are expected to experience either no change or reduced overall monthly bill (Globerman in Stanbury, 1986:64).

At a time when administrative research is clearly admitting who the real winners of rate-rebalancing are, it is essential that the critical perspective outlined in Chapter Three be employed to understand the structural dimensions of these changes. While doing this, an effort will be made to assess the extent of the winners and losers from the kinds of change proposed thus far.

(vi) Summary

The basic theme of this chapter has been to outline the historical emergence of telecommunications on the agendas of the state and the private sector in Canada. Historically, telecommunications regulation in Canada hinged on the reconciliation of the interests of producers and consumers. In this process, business had certain innate advantages that could be enhanced by the kind of regulatory process chosen. Today, these business have sharpened their focus and goals in

response to increasing continental and global factors.

Within the continental context it is important to recognize that we have witnessed a consistent trend towards a more United States style pro-competitive environment. This has been due not only to technical but also to political and economic factors such as the emergence of powerful user groups. The case studies which follow in Chapters Five to Eight will illustrate this movement towards a more American style system of telecommunication regulation in Canada, and the important role played by both user groups and the dominant telecommunications monopolies. These chapters will reveal the close linkage which exists between the activities of user and provider groups and the slow acceptance of the pro-competitive position by telecommunications regulatory bodies in Canada. Ultimately, we will see that today, as in the past, Canada's telecommunications rules are being shaped to fit the structural demands of the world capitalist system as they impinge upon the North American continental context.

THE EMERGENCE OF A NEW SOCIAL CONTRACT IN CANADIAN
TELECOMMUNICATIONS POLICY

by

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P A R T T W O

REMAKING CANADIAN TELECOMMUNICATIONS POLICY

C H A P T E R F I V E

RESALE AND SHARING TO PROVIDE BASIC AND ENHANCED SERVICES IN CANADIAN TELECOMMUNICATIONS

Canada's major trading partners, the United States the European Community and Japan, have all recognized the opportunities for business to use telecommunications as a competitive advantage in the global economy. To accomplish these policies they have all adopted bold telecommunications policies, including the resale and sharing of international services, to enable their telecommunications industries and its users to prosper and compete effectively in international markets. Permitting the resale and sharing of international services will be a positive step toward placing Canada on a level playing field with our foreign competitors (Canadian Bankers Association, October 2, 1989:2).

The vast majority of Canadians are satisfied with the telephone service they receive from their local phone companies, according to a new poll conducted exclusively for the Financial Post. The survey showed that 92% of Canadians are very satisfied or somewhat satisfied with their telephone service and only 7% are dissatisfied (Richard Blackwell, Financial Post, August 23, 1989:B1).

(i) Introduction

(a) Stakes, Issues and Players

Although it is seldom directly recognized by Canadian telecommunications researchers, the stakes and issues surrounding resale, sharing and the struggle over basic and enhanced services, are at the heart of telecommunications

conflict in Canada. [A list of the important regulatory decisions of the CRTC which are discussed in Chapters Five through Eight, are included in Appendix Three]. [For definitions of "resale" and "sharing" see sub-section (c) below]. Researchers working from both critical and administrative positions tend to ignore the centrality of resale and sharing of basic and enhanced services. Mosco's 1989 book, the Pay-Per Society, tends not to give issues of resale and sharing a central place in his discussion of major issues in Canadian telecommunications regulation and policy. Mosco's assessment of enhanced services and the Call-Net case is brief and within the context of the Canada-United States Free Trade Agreement, as his research has taken on more of an international perspective. Babe (1990), like Mosco, identifies the issues as important, but is more concerned with the impact of change on the established monopoly than with the role of powerful user groups and the introduction of enhanced services, their resale and their sharing. Administrative positions tend not to focus on resale and sharing specifically but on efficiencies of competition in telecommunications in general. Even then, this work tends to focus more on the MTS/WATS competition debate [Chapter Six], than on issues of resale and sharing of enhanced and basic services (see especially Globerman, 1986; Stanbury 1986).

Resale, sharing and enhanced services struggles present us with the most appropriate starting point from which to assess recent changes to Canadian telecommunications policy. These areas present us with challenges to traditional conceptions of producers, consumers, markets and regulatory frameworks, as well as revealing fundamental institutional and structural conflicts [including those between and among various apparatuses of the state] as the neo-Fordist order emerges. Resale, sharing and enhanced services decisions also speak to issues surrounding the interaction of different "fractions of capital". Specifically, the Call-Net case has been brought forward by a relatively small company that does business with other medium and small sized enterprises. Yet, in the case of Call-Net, large users have provided extensive support before the CRTC revealing that Call-Net has been doing important work to break down restrictions in resale and enhanced services that larger companies could benefit from in the longer run.

Large capital, representing the most powerful corporate elites in Canada, stands ready to benefit the most from competition in resale. There are however, important divergences among large capitals. For the traditional dominant bloc in telephony and common carriage, led by Bell Canada and Stentor, the emergence of competitive resale

challenges their traditional monopoly position. The challenge to the large users, as Mosco has expressed it, has been to re-configure and transform the telecommunications system without undermining the position of the established carriers (Mosco, April 6, 1990:10 ff.). As we will see in the next three chapters, the established monopoly has adapted quite well to the emergence of competition seeking to restructure traditional rates, re-configure corporate forms, and enter new international ventures. As we will uncover shortly, an important role for the state has been to manage the potential for conflict as the traditional monopoly was challenged in a number of ways: (1) It was challenged by large users seeking to promote competition and lower long-distance rates, and (2) The monopolies were challenged by the emergence of resellers, some of whom might well be former consumers of the monopoly's product. [For example, a large bank which formerly "consumed" Bell's services may soon seek to compete with the telephone monopoly through resale arrangements].

Another important fraction of capital in the resale debate is represented by the Canadian Federation of Independent Business (CFIB). CFIB has been concerned that all of the benefits of competition, especially long distance rate restructuring, would accrue to the largest users. As

the next two chapters reveal, these concerns were valid, based on American experience. The CFIB wanted to prevent a replication of similar patterns in Canada. As the representative of the petite bourgeoisie or small and medium sized businesses, the CFIB has persisted before the CRTC to ensure that smaller companies also participate both in the new technology and services of the information age and its cost efficiencies as well. Smaller fractions of capital also exist as producers of telecommunications services as companies like Call-Net reveal.

Consumers of telecommunications products exist then at three levels: (1) large corporate users, (2) smaller and medium sized business, and (3) residential users. As such, consumers of telecommunications services hold different market and political powers. For the large corporate consumer, a tremendous amount of political-economic leverage is available as this group can afford to challenge the system before the regulator and in the marketplace through the use of "by-pass" technologies [such as American based satellite systems for point-to-point telecommunications in Canada]. The differing powers existing between and among consumers are also reflected in the blurring of lines between who is a producer and who is a consumer of telecommunications today. Given the wording of the new Telecommunications Act [see

Chapter Nine], a company like the Royal Bank will soon operate as both a major consumer of Bell Canada services [its traditional place in the market] while reselling some of these services acting as a provider through resale markets. As Chapters Five through Eight reveal, the different political and economic powers existing between users and the blurring of traditional lines between producers and consumers, have left the state with a very difficult and contradictory series of class relationships to manage as the new order unfolds.

The crucial element here is change. As producers and consumers undergo changes due to the forces of international capitalism and technological development choices, the different levels of power between classes of users and classes of producers have become manifest before the state and its regulatory apparatus. The management of inter and intra class fractions has been the primary task of the state throughout this process of change. As the state attempts to seal off potentially crippling ruptures between large users and large providers [ITAC vs. Bell], new contradictions and tensions emerge between smaller and larger capitals [Bell vs. Call-Net], as well as between smaller and larger users, [the interests of the CFIB vs. ITAC] and the interests of average users vs. smaller and larger capitals [NAPO and RDC vs. CFIB

and ITAC]. Acknowledging the existence of these contradictions based on class divergences allows us, as McQuaig (1991) has done, to assess the Canada-United States Free Trade Agreement in a much richer context.

In a broader sense, this chapter also begins the process, continued throughout Part Two, of locating the CRTC structurally as an instrument of hegemony in Canadian society. For this insight I am indebted to research undertaken some time ago by Rianne Mahon (1979). Mahon began the process in Canadian policy research of understanding the role of regulatory agencies in perpetuating an unequal structure of representation at the state level (Ibid:163). This unequal representation favours the most economically advantaged classes (in a structural as well as a practical sense). Mahon views regulatory agencies, like other parts of the state apparatus, as contributing to the reproduction of the dominant economic class in Canadian society by simultaneously representing their interests while regulating. Mahon argues that this dual role is characterized by the structural demands placed on regulatory bodies to maintain the established relations of production (which have produced and sustained the dominant class). According to this view, regulatory agencies such as the CRTC and its forerunners, are created to handle issues demanding the resolution and

modification of the rights of capital. Nowhere is this more apparent than in the cases involving resale, sharing, enhanced services, MTS/WATS competition, Bell Canada reorganization or current efforts to reshape domestic and international telecommunications policy in Canada.

We are not looking for "conspiracies" involved in the policy process, but rather, we are seeking to assess the structural demands of the accumulative system of capitalism while reducing intra-class and inter-class conflict. The system demands maintenance and conflict resolution. Regulatory agencies exist to resolve conflict. As such they simultaneously, in Mahon's understanding, represent the demands of the dominant economic class while regulating the sector in question. Intra-class conflict amongst capitals (such as Unitel and Bell Canada), are brought forward for resolution as are inter-class conflicts such as those between telecommunications workers and the dominant class or between different categories of capitalist user [for example, large and smaller businesses]. [See especially Canada: CRTC Telecom Decision 1991-1, "Request by the Telecommunications Workers Union For A Stay Of Six Current Proceedings", or those of large and smaller business users which resulted in CRTC Telecom Decision 1990-3 [see Chapter Eight]. This analysis will begin from the view that an important aspect of

the regulatory agency's existence involves the resolution of conflicts within the dominant class and between the dominant class and subordinate classes. Regulation then is about modifying the rights of capitals in relation to one another, but it is also about maintaining the long run interests of capital (the structural demands of the system).

This view of regulation, one that brings the notion of class domination and class interaction to the fore, will underlie the assessment in these four empirical chapters. Issues revolving around reselling of telecommunications services, competition in long distance, the response of the dominant player, Bell Canada, and the future of Canadian domestic and international telecommunications policy will each be addressed with a view that locates regulatory agencies within the general structure of authority in the class system in Canada.

In 1979 Mahon called for exactly this kind of analysis of the activities of the CRTC. It was her hope then, and it is mine at present, to illustrate the ways in which the interests of corporate elites have come to set the agenda of the CRTC as a regulatory agency. As such, through a variety of decisions which consistently [while not exclusively] favour the interests of the dominant economic class, the CRTC will also be shown to be an instrument of hegemony. At the

heart of this assessment is an effort to expose the ways in which the interests of the dominant economic class in Canada, linked by powerful structural demands from within and outside the country, dominate our policy process. In Mahon's words:

What we need to do across the board is to clarify the way in which the corporate interest of the powerful cluster of foreign interests are combined concretely with the "national interest" (1980:192).

The cases involving resale, sharing and enhanced services reveal the CRTC's movement away, albeit somewhat reluctantly, from the old telecommunications social contract and its broad public service orientation. The Call-Net Telecommunications case in particular illustrates how pressure was applied to the CRTC from within other central apparatuses of state power (the Federal Cabinet), encouraging a restructuring of old telecommunications policies and regulatory goals. Resale and sharing are also important as they show that state apparatuses themselves are not monoliths. The struggle to bring in a more market oriented approach to regulation reveals that conflict occurs within the level of the state as it does within the level of the dominant economic class.

This chapter will show that the fallout from the enhanced services decision (CRTC Telecom Decision 1984-18) and the Call-Net Telecommunications case were the two main pressure points at which the users and competitive suppliers fought for liberalized resale, sharing and enhanced services

following CRTC Telecom Decision 1979-11 (where private line competition was further liberalized). Telecom Decisions 1984-18 and 1985-19 are key to understanding later developments. Telecom Decision 1984-18 established American-style definitions of basic and enhanced services and allowed competitive resale and sharing to provide enhanced services, the first step on the way to an open market. Telecom Decision 1985-19 reads like an interim move on the part of the CRTC demanding that CNCP prepare itself better in order to offer nationwide competition.

Telecom Decisions 1987-1 and 1987-2 again brought the issues to the brink--now the system was open to competition except for pay phones, local service and the public (MTS/WATS) long distance market. Any future move towards open competition in public long-distance will probably require more open regulatory approaches to resale and sharing of both basic and enhanced services. For this reason, the role of resale and sharing as per the 1984, 1987, and 1990 decisions, will have significant impacts in the forthcoming long distance decision. As I will argue later on, the CRTC has left itself very little room to maneuver in making the present Unitel decision on MTS/WATS competition, due not only to its position in Telecom Decision 1985-19, but also because of its decisions on enhanced services, resale and sharing

over the past seven years. Prior to turning our attention to issues of resale and sharing, it is necessary to discuss the definitions of the types of services involved in the resale, sharing and enhanced services sectors.

(b) Basic and Enhanced Services

Among the most significant aspects of the marriage of the computer and telecommunications equipment has been the proliferation of services in which ordinary telecommunications services may be combined with the creation, storage and processing of information. This new range of data applications to the telephone message are known as enhanced services. Although more specific definitions will be dealt with below, for now it is important to recognize that there exist distinct basic and enhanced services. A basic service is just that--a basic connection provided by a common carrier that allows two parties to connect over the telecommunications network. When a person in Ottawa calls a person in British Columbia he/she uses the public long distance line. The facilities provided by the Stentor Network for this service, although they involve complex switching, fibre optic and satellite technology, constitute a basic service. If the person in Ottawa calls British Columbia and leaves a message with a voice mailbox service

for another person to receive later, then an enhanced service has been employed. Enhanced services generally add something to a basic telephone call. Call storage and call forwarding require computerized applications to the basic call and are defined by the CRTC as enhanced services (Babe, 1990:28).

(c) Resale and Sharing of Network Time

Resale, when allowed by regulators, provides the opportunity for competitors with the common carriers to purchase large blocks of telecommunications time from the carrier at a discount price. Resale is the subsequent sale or lease on a commercial basis, with or without adding value, of communications services or facilities leased from a carrier. Sharing is the use by two or more persons, in an arrangement not necessarily involving resale, of communications services or facilities leased from a carrier. [Eg. bulk rate services could be re-offered in similar quantities at a discount relative to the telephone company's per unit rates]. In other words, two or more companies with similar needs could lease one big discounted package of MTS time and share the usage of the big bundle (Canada: CRTC Telecom Decision 1985-19:68-69). Packet switching allows computers to arrange and store small groups of digitalized data for later transmission over the network. Dan Schiller

describes the importance of these value added networks:

Value added networks...may add a necessary measure of rationality to circumstances arising from unstandardized systems marketed by diverse manufacturers...Entry of value added networks onto the telecommunications scene constituted a dramatic change in the structure of the industry. Some such networks--the timesharing companies--perform computer processing on data transmitted from remote locations over common carrier circuits, market data base storage services (1982:53).

Sharers of a network might purchase a large block of time from Telesat to be used amongst themselves for overseas telecommunication. Resale and sharing activities can be intertwined, as an agent for a number of large users of the system may purchase time to be resold to the sharing group (Bolter, 1984:434).

(d) Type I and Type II Carriers

Enhanced services, including value added networks or VANS allow tremendous flexibility and cost savings to large users of telecommunications, especially those who combine voice communications with data transmissions. Ultimately, Call-Net would like to become a value added carrier with open access to resale and sharing for the purpose of providing both basic and enhanced services nationwide (interview with Call-Net president Mike Kedar, January 30, 1992). Value added carriers usually possess the ability to provide an

almost limitless variety of services. They exist as a distinct class of carriers because they employ computers and software to add value to basic telecommunications circuits which may be leased from other carriers. The CRTC has differentiated between Type I and Type II carriers for regulatory purposes. Type I carriers are those like Stentor members and Unitel who own their own facilities. Type II carriers are service providers such as resellers or enhanced service providers, who lease the facilities of Type I carriers (Canada: CRTC, News Release, July 22, 1987:2).

(e) User Demands and the CRTC

It is important to understand however, that most important carrier decisions made by the CRTC since the late 1970's in some way involves resale, sharing, and enhanced services. As such, I find them to be the essential starting point of any discussion of changes to telecommunications policy in Canada over the past fifteen years and the impact of these changes on various categories of telecommunications users. Whether we are discussing MTS/WATS competition, the reorganization of Bell Canada, or Canadian domestic and international telecommunications policy in general, at the heart of the subject rests issues of resale, sharing and the additions of value to basic services. Call-Net

Telecommunications is the leading reseller in Canada at the present time (B.C. Rail, Evidence to CRTC, in response to CRTC Telecom Notice 1990-73:3).

For would-be resale companies a lucrative future as telecommunications service providers rests with their ability to convince the CRTC that their activity is indeed in the public interest for Canadians. The importance of such facilities was underlined in the 1980's as some companies, unable to await regulatory changes, developed their own private networks for packet switching and data communications. For example, Ontario Hydro has its own state-of-the-art communications network. In the United States, Westinghouse, the Ford Motor Company, Citicorp, and Manufacturers Hanover are among the companies to create their own extensive networks (Bolter, 1984:320). General Telephone and Electronics, the third largest long distance carrier in the United States has conducted a study of the ways in which companies like these may "bypass" the existing network. GTE found that the existence of point-to-point microwave and coaxial cable in telecommunications since the 1970's has enabled many firms to bypass the established carriers (in Trebing, 1981:327-28). As the largest users innovated and integrated, a new telecommunications technology to serve corporate needs began to develop. This in turn placed

increasing pressure on both the public system and the regulatory process (Bolter, 1984:54).

When large user groups began the process of seeking to reform and restructure Canadian telecommunications regulation, the end goal was the open resale and sharing of both enhanced and basic services. Such a scenario in Canada would see at least two national long distance carriers, a number of resellers, and a series of sharing networks tapping into the resellers, the domestic and foreign carriers. This wish list is slowly being achieved by the major users of telecommunications in Canada. Ultimately, in the eyes of the major user groups, and a number of smaller to medium sized businesses and organizations, an American styled system of unrestricted resale, sharing and value additions to basic services is the central prize sought by large users of telecommunications in Canada. The Canadian Bankers Association expressed this desire to the CRTC in 1988:

In summary, the CBA believes that it is imperative that the Commission define permitted enhanced telecommunications services in favour of encouraging the growth of a dynamic and aggressive domestic enhanced services sector. It is not in the interests of Canadians and their industries to interpret "enhanced services" in a restrictive manner, certainly not when our international competitors have chosen a path of liberalization. ...We encourage the Commission to move in the direction of a liberal basic services environment and we look forward to a hearing to once again address this vital issue (CBA, July 7, 1988:3).

The Canadian Business Telecommunications Alliance (CBTA) expressed a similar position while reminding the CRTC of the competitive thrust of government policy in recent years:

CBTA submits that the Commission should liberalize the rules for resale and sharing as much as possible since this will encourage competition among Type II carriers. CBTA submits that this competition among Type II carriers will promote DOC policy and that it is important for the Commission to take account of general government policy statements (CBTA, April 10, 1989:7).

Bell Canada and the dominant telephone companies, government leaders, the regulatory bodies in Canada alike, have been forced to respond to the large users and their ultimate desire to open the Canadian system to American style rules and procedures.

During the 1980's the stakes in telecommunications became increasingly high for business users. The case of resale, sharing and VANS reveals the substance of these stakes, identifies tensions and conflict between and among users and carriers, and prepares us to understand the reasons underlying telecommunications policy changes in Canada over the past decade. Policy elites and large users have signalled a remarkable number of similar goals for telecommunications policy across the North American continent in recent years.

(f) A Coming Together Of Corporate and Policy Elites on Telecommunications

Hills (June, 1988) and Rideout (1991) have each argued that the presence of the United States as the first deregulator has put tremendous pressure on other countries to follow suit. Dan Schiller has shown how the United States government has worked on behalf of American based transnational corporate users in the growing international information battle:

While the United States should give due weight to the CCITT [part of the International Telecommunications Union] recommendations, we do not believe so fundamental a national goal as the encouragement of competition and market entry [in telecommunications] should be frustrated by international recommendations (NTIA, August, 1980 in Schiller, 1982:187).

In Canada these pressures are especially acute due to the geographical proximity, elite inter-linkages which exist between the two countries, and the vulnerabilities of the smaller Canadian market (See Clement, 1977). As the discussion on resale, sharing and enhanced services in Canada illustrates, we have been witnessing an effort to create a "continental communications regulatory grid" for some time now. Arguably, the creation of U.S. style policies would help United States controlled multinational branch plants, located in Canada, to link their telecommunications facilities more inexpensively and efficiently. Given this

reality, it is not surprising to find that many of the primary corporate lobbyists on behalf of competitive telecommunications in Canada, share names with sister organizations in the United States. For example, in the United States we find the Association of Data Processing Service Organizations (ADAPSO), in Canada we have CADAPSO; in the United States we find the Business Equipment Manufacturers Association (BEMA) in Canada we have the CBEMA [now ITAC]. The activities of American interest groups such as the American Petroleum Institute (API), the National Association of Manufacturers (NAM), and the American Bankers Association (ABA), are mirrored in Canadian telecommunication policy influence by the Canadian Petroleum Institute, the Canadian Manufacturers Association and the Canadian Bankers Association. These groups seek a continental regulatory framework for technological innovation and policy development (ITAC, August 17, 1990:3-4). Such a continental regulatory framework would constitute an important first step towards a continental communications grid.

American policy makers have shown more than a passing interest in imposing a U.S. style system of technology and regulatory practice on such a network, as the following statement of U.S. Ambassador Bradley P. Holmes indicates:

The world in which the principles of U.S. international telecommunications policy are implemented has changed radically over the past 30 years... The network has become a global computer, transmitting and switching an information envelope of voice, data, and image. ...For the U.S. it is truly a global business, with over 25 percent of our information services revenues coming from foreign countries (Holmes, January, 1991:23).

Large Canadian users have also expressed a desire to adopt American practices. In the case of resale and enhanced services, Canada's major user groups urged the CRTC to adopt American definitions of basic and enhanced services. In the case of choosing definitions of enhanced and basic services [the first step on the way to a U.S. style network], a large number of major user groups led by the Canadian Industrial Communications Assembly (CICA) argued that the CRTC should adopt American definitions of basic and enhanced services as per those in use by the FCC:

The Canadian Industrial Communications Assembly (CICA), Association of Competitive Telecommunications Suppliers, Canadian Association of Data and Professional Service Organizations, the Canadian Bankers Association, Canadian Business Equipment Manufacturers Association, and the Telephone Answering Association of Canada recommended the adoption of Federal Communication Commission definitions. CICA and the others argued that the adoption of the FCC definitions will reduce regulatory uncertainty and foster the development of new services, especially by non-telephone companies (Canada: CRTC Telecom Decision 1984-18:12).

The CRTC responded to these requests:

...Having considered the positions of the parties, the commission has decided to adopt definitions of basic and enhanced services that conform in substance with definitions adopted by the FCC ...in recent years,

the development of enhanced services has been spurred by the convergence of telecommunications and computer technologies. The potential for the creation of new and innovative services is enormous. (Canada: CRTC Telecom Decision 1984-18, July 12, 1984:7-12).

Of this decision ITAC has said:

Specifically, ITAC believes that the definitions of basic and enhanced services provided in CRTC Telecom Decision 1984-18 are sound ...we support the CRTC in its efforts to stimulate competition and facilitate entry into the enhanced services market. (ITAC, July 29, 1988:6-7).

Rolland Frazee, a former CEO of the Royal Bank of Canada, a major user of telecommunications and a force demanding policy reform, stated that major users want: "uninterrupted access to North American technology, information and markets" (Royal Bank of Canada, November 17, 1983). Speaking at the same conference Dr. Stuart Smith, former Liberal party leader in the Province of Ontario, acting as Chairman of the Science Council of Canada, said: "...the manifest destiny of Canada is to become part of a larger North American nation" (Ibid:15). The message had reached the inner circles of Cabinet by 1983:

During the next two years, we also intend to conduct a full-scale review of telecommunications policy, with the aim of ensuring that it promotes competition in the provision of services and provides opportunities for product innovation in the Canadian industry. In recent years, government policy has steadily expanded the degree of competition in telecommunication services, and by liberalizing terminal attachment rules, has opened possibilities for Canadian equipment suppliers (Speaking Notes of Francis Fox, Minister of Communications to House of Commons Standing Committee on Communications and

Culture, May 26, 1983:2, cited in CBEMA, February 6, 1984:3).

The Mulroney government's approach has continued this pro-competitive thrust. By 1987, ITAC policy and Cabinet policy on enhanced services were written along very similar lines:

We strongly agree...with the government's stated goal in their July 22, 1987 DOC Policy Statement to encourage Type II competition in order to stimulate the development of new services" (ITAC, April 4, 1989:5).

In this 1987 Policy Statement, Minister of Communications Flora MacDonald expressed her intention to use current powers as well as new legislation where necessary, to implement a comprehensive national policy consisting, in part, of:

...the designation of a class of telecommunications carrier (Type II) that will be authorized to provide services to the public utilizing in whole or in part the network of facilities of Type I carriers; and the legislative and regulatory measures necessary to ensure that Type II carriers obtain access to the network of Type I carriers on just and reasonable terms and conditions in a manner which promotes fair and equitable competition in the provision of new telecommunications services (Canada: DOC, "A Policy Framework for Telecommunications in Canada, July 1987:7-8).

Revealing the success of the lobby effort of the large business users, the policy statement added:

The implementation of these measures is intended to encourage the rapid growth of innovative and competitive new telecommunications services that are of interest to the business community and to ensure that such services are implemented using the network facilities of Canadian Type I carriers (Ibid:8).

In an accompanying news release dated July 22, 1987,

MacDonald added: "Full competition in the provision of services by Type II carriers is designed to promote the innovation needed to take maximum advantage of the opportunities of the information age" (page 3).

Recently, Minister of Science and Technology and International Trade Michael Wilson has confirmed the government's continuing effort to extend such policy initiatives in the construction of a North American economy and telecommunications policy environment:

Canada and the United States have made progress on cooperating on standards [for telecommunications] both before, and as a result of, the Free Trade Agreement...That commitment is but one element in proposals to strengthen our economic union--proposals aimed at ensuring that Canada is more competitive in the years ahead (Wilson, August, 1991:4).

In the terms of the regulation literature, especially Mahon, these statements reveal how one group of institutional interests in one country responds to those of dominant forces in another. As the United States multinationals have convinced United States Ambassador Bradley Holmes [cited above] to work towards multinational private network facilities, so too have companies in Canada worked to bring Michael Wilson and the Mulroney government "on side" with corporate telecommunications needs. Having the official position of the government dedicated to satisfying corporate needs, the CRTC has little reason not to give the

multinational user community what it is asking for. Indeed, as the CRTC is appointed by the Cabinet, it may well have good reason to see that the multinational private network strategy is given priority in the policy and planning process in Canada. The structural demands of the world business system combined with the day-to-day workings of government in Ottawa, each play a key role in the functioning of the CRTC as an agent of hegemony. As Janice McDonald has illustrated, important instrumental characteristics such as economic class and social background [and gender] play a key role in who is deemed "appropriate" to sit on various government boards, tribunals and regulatory panels (Janice McDonald, 1992; see also Brown-John, 1981).

In CRTC Telecom Decision 1985-19, along with admitting the value of MTS/WATS competition to large users, the Commission also spoke to the value of resale, sharing and enhanced services:

The Commission considers that, with respect to resale and sharing, users would benefit from an increase in the number of suppliers through improved supplier responsiveness and stimulation of service innovation. Resale and sharing would spread the benefits of competition through the market more quickly than would facilities based competition (Canada: CRTC, Telecom Decision 1985-19:83).

As we will discover shortly, the CRTC really began to feel tremendous pressure to move on its stance when the Call-Net

Company appealed successfully to Cabinet for a stay of execution against the CRTC's decisions about the nature of its services.

The business community has expressed pleasure with the movement of the CRTC towards increased competition in enhanced services:

The CMA has long supported the removal of restrictions on shared use and resale of telecommunications services and has participated in all major proceedings before the Commission on these issues...Throughout this period, the CMA was encouraged by the gradual reductions of restrictions on resale and sharing, and through other elements of the decisions, was generally pleased with the environment which was emerging for the provision of enhanced services in Canada (CMA, July 6, 1988:1).

The discussion of North American standards and telecommunications policies are especially important to many multinationals in light of both the free trade deal between Canada and the United States and the emergence of trading blocs in the Pacific Rim and Europe (Ibid). Whatever the eventual outcome, there has been a concerted effort in recent years to harmonize Canadian and American policy in resale, sharing, VANS, MTS/WATS competition and international telecommunications policy. This is all part of a global effort which multinational telecommunications users would eventually like to see as a global private network. The president of the International Telecommunications Users Group (INTUG), Peter Smith, expresses the problem from the

multinational users' point of view:

The pursuance of private networking in the face of restraints by the regulators, restraints that diminish the optimum use that could be made of the technology, continues because public networks do not meet the needs of corporations. ...The problems of running global networks are exacerbated beyond normal operational matters by the differences in service offerings, tariffs, quality of service and regulations of national administrations. Corporations are able to impose more control by designing and implementing both the physical network and the infrastructure to support it (Peter Smith, January 1991:46).

As so many of the important decisions involving resale and enhanced service took place in the United States, it is important to begin our discussion with a brief assessment of the American scenario.

(ii) Developments in the United States: A Prelude to the Importation of American Resale, Sharing and VANS Policy

(a) The 1956 Consent Decree

This decree was the result of a suit filed by the United States Justice Department against AT&T, following complaints by a number of emerging competitors alleging that the telecommunications giant was conspiring to prevent their access to equipment markets (Oettinger and Weinhaus, 1988:133). Along with establishing guidelines by which AT&T was to reveal certain equipment patents, the Decree also set limits on AT&T's business activities. In particular, the Decree limited AT&T to common carrier activity, preventing

the telecommunications giant from entering into data processing or media related activities. A boundary was established then, between regulated common carrier activities and the unregulated computer industry (Verveer, 1982:84).

The establishment of a legal boundary between common carrier activity and computing ran directly counter to management forces in industry which were driving the technologies towards an eventual marriage of the computer and the telephone in the early 1970's. The 1956 Consent Decree established tensions between technological innovation and industry practice that were not finally resolved until the divestiture of the operating companies of AT&T in 1984.

(b) The Above 890 Decision

The FCC's Above 890 Mhz decision in 1959 allowed competition in the field of private long distance telecommunications by microwave. A similar decision had already been taken in Canada by the Federal Cabinet to allow CNCP to offer microwave on a competitive basis (Babe, 1990: 129). These decisions were to have very significant, if then unforeseen, implications for competition in all aspects of telecommunications in the 1970's and after. In the United States the Above 890 Decision allowed large public and private organizations (airlines, television networks,

public utilities, and government agencies such as the post office), to establish private point-to-point microwave transmission facilities for long distance communication in the spectrum region above 890 Mhz. In Canada, the Cabinet's decision to allow CNCP to compete with the Trans-Canada Telephone System (TCTS) was based on their desire to have CBC supplied with microwave services from more than one source. This would avoid transmission interruptions in the event of failure at the TCTS end, as CNCP could then supply services (Ibid). The decision to allow competitive microwave communications marked the dawning of technology, or of a service which could bypass the public switched long distance network.

(c) MCI and Execunet

In Canada, B.C. Rail (which includes Lightel and Call-Net), has led the struggle for open resale and sharing while CNCP (now Unitel) has led the battle to open MTS/WATS to competitive entry. In the United States the actions of MCI, supported by a powerful group of large corporate users of telecommunications services, led the attack on the monopoly eventually seeking to have long distance telecommunications opened to competitive entry. Companies like GTE Telenet and Tymnet waged a concurrent battle with regulators to open

resale and sharing (Bolter et al, 1984:434). It is important to note that Execunet was at once MTS/WATS competition and sharing, as the Chicago-St.Louis network was shared among a variety of large users (Katz, August 1990:13).

In August of 1969, the Federal Communications Commission (FCC) approved the application of Micom Communications (later to be known as MCI), to construct a microwave communications network between St. Louis and Chicago. This network was to provide specialized common carrier (SCC) services to businesses in the two cities and link them to the Bell System for calls outside of network area. In effect, this was the first limited experiment with competition in long distance services (Brock, 1981:211). The case was approved by an increasingly pro-competition membership at the FCC. One Commissioner, Kenneth Cox, found the MCI proposal so attractive that shortly after the final vote on the MCI application he left the FCC to begin work at MCI (Temin, 1987:51). Just one year earlier, the Presidential Task Force appointed by Richard Nixon's staff had responded to growing corporate telecommunications demands by admonishing regulators and other government policy officials that "telecommunications policy should seek to maintain an environment always sensitive to consumer needs" (Presidential Task Force Report on Telecommunications, December 7, 1968,

see D. Schiller, 1982:41). Having secured the financial support of IBM, MCI continued with its long running series of antitrust disputes with AT&T. MCI eventually won on ten of the fifteen counts gaining a settlement of \$600 M. (which was trebled to \$1.8 B. in accordance with antitrust law (Temin, 1987:160ff). Although this amount was reduced to a fraction of the original award by an appellant court, MCI had gained an important courtroom victory over AT&T. This success was followed closely by a key decision in American telecommunications--the Execunet Decision of the FCC and the courts.

While the Department of Justice continued its decade long anti-trust case against AT&T, MCI attempted to convince the FCC to allow its new Execunet service. Execunet was proposed to allow MCI to introduce metered pricing. [A customer pays for the exact time of the call rather than by the minute]. What was particularly important was that this service would not be confined to the Chicago-St.Louis area, but could be offered in all parts of the country. This proposal was the American equivalent to the current Unitel application to compete in MTS\WATS that is now before the CRTC in Canada. As the Canadian CRTC continued to do, up to the 1985-19 decision on CNCP's long distance application, the FCC disallowed Execunet on the grounds that it would

cause an unwarranted shift in the rate structure (Temin, 1987:131-34).

This FCC decision was overturned in a United States federal court by Judge Wright who contended in his judgement that the FCC had, in its former decisions pertaining to MCI, limited itself to matters of private line services. Since the commission had failed to consider the question of ordinary long distance, Judge Wright claimed that he could find no legal reason nor any FCC prohibition that would keep MCI from offering the service anywhere that it wanted to in America (Ibid:134). In this landmark decision in telecommunications, Judge Wright opened the gates to competition and rate restructuring in American telephony. This decision spun off a number of resale, sharing and Vans decisions in the US that, all taken together, have caused corporate users in Canada to place tremendous pressures on the CRTC to respond in kind. It also put into motion a series of events that culminated in the reorganization of AT&T following the conclusion of the long running Department of Justice suit against AT&T in 1984. Judge Wright had perhaps unwittingly set off a chain of events with implications far beyond the abilities of the court to foresee.

The MCI decision opened the United States network to the

rapid growth of long distance competition and the resale and sharing of both basic and enhanced services. Other resellers sprang up immediately. U.S. Telecommunications began operations in 1979 as the first firm dedicated to resale. As many companies entered the market, the FCC was put in a catch-up position. By 1981 the FCC had redefined its policy to meet with the court's decision. From now on, FCC policy was to permit competition to become the prime determinant of pricing for inter-city long distance, resale and sharing networks. By 1986 over 500 resellers were in the market (Katz, August, 1990:3-8).

(d) Computer II

As has been the case in Canada for some years, resale, sharing, and the addition of value added services to basic telephone service was the biggest prize sought by heavy users and potential competitive providers of telecommunications services in the United States. Breaking down the AT&T long distance monopoly was one prong of this attack; establishing a competitive market for resale and sharing of both basic and enhanced services was the other. The FCC's First Computer Inquiry (1971) had broached questions about the possible entry of AT&T into data processing and enhanced services. It was decided that GTE could enter into data processing and provide some enhanced services through a structurally

separate subsidiary. AT&T asked why it could not do the same. This entry question and the problem of defining enhanced services led to the Second Computer Inquiry (1976). In this case AT&T argued that the structural limitations of Computer I and the 1956 Consent Decree of the Justice Department were no longer technically viable, due to the increased marriage of computers and telecommunications. As Dan Schiller has argued, the Computer I decision was obsolete before the Final Decision was written (Schiller, 1982:85).

An important aspect of the Computer II Inquiry involved basic and enhanced services. Basic service was defined as traditional standard telephone service, and enhanced services were defined as anything added to this network such as video display units, mainframe computers or alarm systems (Verveer, 1982:87). Computer II also threw the telephone equipment industry open to competition. In exchange for these losses, AT&T could enter the enhanced services market through a structurally separate subsidiary. In a similar way, Judge Wright's decision in the Execunet appeal threw open the long distance market to competition. As such, resale, sharing and value added services, were modified to conform to the new competitive reality created by the judge's decision. By 1980 the FCC had opened resale and sharing and VANS to competitive entry (see Schiller, 1982:183ff).

The issue of resale and sharing is inextricably linked to the international telecommunications goals of large users. American users who sought the deregulation of resale and sharing at home wanted these policies exported as quickly as possible. The stakes here were, and have continued to be, enormous. Large users require a continental and ultimately, global capacity for high speed voice and data telecommunications. In the United States in the 1970's and in Britain in the 1980's these networks were developed privately. Continental European PTTs and the telephone monopolies and their regulatory bodies in Canada have been hard pressed to respond to these powerful forces.

In Europe, some important efforts were made to develop high speed voice and data systems as public enterprises. When the PTTs pondered policies which American users and providers saw as threatening to the further international development of private line service [the kind upon which resale and sharing among multinationals is premised], pressure was put on the American federal state apparatus to respond. As early as 1980 the United States Congress held a series of hearings concerning international data flow. Multinational users based in the U.S. expressed concerns at the hearings that European PTTs, in their effort to uphold public values of universality and affordability, could, in

effect, price private networks and their line facilities "at rates and schedules that are prohibitive to the development of private or user-controlled networks" (John Eger, Hearings On International Data Flow, 1980:177, in Dan Schiller, 1982:183ff).

The FCC's approach to telecommunications regulation in the wake of the Judge Wright ruling has consistently been based on the view that market competition can effectively, but not exclusively, regulate the data-processing and communications services sector. Vehicles of structural separation between regulated and unregulated services and market competition were viewed as the essential means for protecting consumer interest (United States: FCC 1980a and 1980b, see also Bickers, 1991:100).

Today, the multinational user community continues to take its case for American style policies to European and Canadian governments. INTUG, the International Telecommunications Users Group, led by British, Japanese, American and some European multinationals, argues that:

One might describe a corporate network as a complex system of communications facilities which together exist for the benefit of the corporation". ...When such networks are viewed by the corporations as both a strategic necessity and an asset to enable them to run their business more profitably, they can become so called "value added networks". Is it really in the interest of regulators to spend so much time trying to define the indefinable and, in the process, hold up

the march of international trade and commerce? Governments should be aware by now that the businesses which account for 95 percent of their GNP warrant more consideration than the narrower interest of the 5 percent represented by the telecom sector (INTUG President, Peter Smith, January 1991:44).

In their response to CRTC Telecom Notice 1990-73 (the current MTS/WATS and enhanced services case), the B.C. Rail Group made a similar plea to Canadian regulators:

The emergence of a global marketplace is a reality in the nineties. Canadian business must compete with a large number of international competitors to retain a market share. Many international competitors enjoy lower long distance rates and therefore have an immediate advantage. Canadian business labours under the heavy burden of telecommunications costs and suffers a major disadvantage in the global marketplace. ...BCRL-Lightel-Call-Net will offer enhanced and value added voice services at rates which are substantially lower than rates for regular long-distance proposed by the telephone companies (BCRL-Lightel-Call-Net, 1990:3).

Resale and sharing capacity at home was a boon to large users; getting it internationally was a key prize.

Undoubtedly, the development of resale, sharing and enhanced services policies in the United States has pressed Canadian users' demands for further liberalization in the country.

With these stakes and issues in mind let us turn our attention to the course of events in recent years in resale, sharing and enhanced services policies in Canada.

(iii) Getting Enhanced Services Resale and Sharing on The Agenda In Canada

The issue of enhanced services has been before the

FCC in the United States since the 1970's. In the United States large users had argued for resale and enhanced services on the grounds that present restrictions on resale were "highly unrealistic and strongly characterized by arbitrary, capricious and inconsistent interpretation and enforcement" (American Petroleum Institute, March 6, 1968:14, in Dan Schiller, 1982:36). API did admit however, that "the resale of communications facilities and services...places the original customer in the position of competing with the communications common carrier through the use of the carrier's own resources" (Ibid).

Given the American reality that users were able to employ established carriers' lines to compete with the carrier, perhaps it is not surprising to find that when the CRTC first encountered the issue in 1980 when permission was sought to provide Voice Message Service (VMS), it was a Bell-Canada initiative. Already Bell was showing signs of a new aggressive policy towards potential sources of competition. [We will discuss the responses of the dominant player to competition and policy changes in Chapter Seven]. VMS, in this case a system called "Envoy 100", enabled a customer to call a specified telephone number and leave a message which was recorded and delivered later via telephone to a network destination specified by the original caller (CRTC, Telecom

Decision 1981-10). It was the notion of "storage" and "forwarding" which distinguished VMS from normal or "basic" telephone service (Babe, 1990).

CNCP Telecommunications immediately took steps to offer a similar option called "TELENEWS Service" [later known as "Dialcom" which was approved by the CRTC in June of 1981] (CRTC, Telecom Decision 81-22). In this decision, the CRTC decided that it would be in the public interest for the provision of enhanced services to be offered competitively. This was not a surprising decision as the electronic mailbox service that CNCP was offering in its TELENEWS package was little more than a technological update of the kind of service provided by human messengers in telegraphy. Before long a variety of non-basic telephone options were proliferating in the Canadian telecommunications market.

Telecom Canada's "i-Net 2000" provided both an electronic directory and a text messaging service through which customers could, for a monthly fee, access a national electronic directory listing information and services available from information service providers. This service essentially provided a gateway for users to access over 1300 databases nationwide (Babe, 1990:231-33). Today the resale market is worth an estimated \$700 million dollars and growing at 30 percent annually (Surtees, March 17, 1992:C2). At this

rate of growth, the resellers will soon be doing over \$1 billion per year in business. [Canadian resellers and their relative market shares are listed in Table 5-1]. This is significant when we consider that the present Canadian long distance market is worth only \$7 billion annually (Ibid:C2). Considering that the CRTC was somewhat hesitant about more open resale until the late 1980's, the current 10 percent market share claimed by the resellers gives some indication of what they would do in an open long distance market. This causes some speculation about Call-Net president Michael Kedar's claim that resale has made a relatively insignificant dent in the Canadian market (Call-Net, July 6, 1988:5). Call-Net is the dominant player in the fastest growing segment of Canada's \$13 billion dollar telecommunications services industry (Surtees, March 17, 1992:C2).

Before long the CRTC felt pressure from Bell and competitors to define exactly what differentiated an enhanced service from a basic telephone service. In 1983 the CRTC held a series of hearings to determine a definition of enhanced services, their future regulation, and resale, sharing and interconnection for the purpose of providing enhanced services. Much of the future of the telecommunications network in Canada would depend upon the

kinds of definitions adopted at these hearings. The results of these hearings were published by the CTRC on July 12, 1984 (CRTC, Telecom Decision 1984-18).

The continental implications of an enhanced services decision became immediately apparent. Corporate intervenors supported the adoption of FCC definitions already in place in the United States. The office of the Director of the Combines Investigation Act argued that Canada's telecommunication system was not sufficiently different from the American environment to justify a different definition.

Table 5-1

Canadian Telecommunications Resellers: Market Share (1991)

<u>Company</u>	<u>Market Share</u>
Call-Net Telecommunications	35.0%
ACC Long Distance	10.0%
Fonorolla	9.5%
Cable & Wireless Telecommunications	8.0%
Information Systems Management	8.0%
All others	29.5%

Source: Adapted from Surtees, March 17, 1992:C2.

Seeing a unified set of continental-wide regulations in place was the logical choice for the supporters of deregulation and competition in Canada. The federal government's Director of Competition added his voice to the proceedings:

Following a review of comments submitted to the Commission by other parties, the Director wishes to reiterate his opinion that a healthy rivalry among competing service providers can, much more effectively than in regulation, ensure efficiency, innovation and reasonableness of prices in the market for enhanced services (Canada: Director of Investigation and Research, Consumer and Corporate Affairs Canada, March 6, 1984).

The Director put the onus on the dominant common carriers to demonstrate why Canada should not follow the U.S.

definitions (Canada: CRTC Telecom Decision 1984-18:7).

Ultimately, the CRTC favoured the position of the Director and the large users opting for the following definition:

A basic service is one that is limited to the offering of transmission capacity for the movement of information (Canada: CRTC, Telecom Decision 1984-18:12).

A basic service then is the pure, unaltered transmission of information such as a long distance telephone call. And enhanced service on the other hand, was defined as:

... any offering over the telecommunications network which is more than a basic service (Ibid:14). In an enhanced service, for example, computer processing applications are used to act on the content, code, protocol, and other aspects of the subscriber's information (Ibid:14).

The key distinguishing feature of an enhanced service is that

it in some way adds value to the basic service by changing or acting upon the message in some way (Babe, 1990:27ff).

Aside from their victory in having the CRTC adopt, for all intents and purposes, a continental standard for enhanced service definitions, the large users (led by CICA, CBEMA [now ITAC] and CMA), convinced the Commission that enhanced services should be offered competitively:

The Commission is in agreement that competition should be permitted in the enhanced services market. In this context, the definition of enhanced services, when coupled with provisions on resale, sharing and interconnection... should allow the provision of a wide range of services on a competitive basis (Canada: CRTC, Telecom Decision 1984-18:15).

Major users were pleased, claiming that the CRTC had initiated important first steps towards deregulation and open competition in enhanced services:

CRTC Telecom Decision 1984-18 was welcomed by the CBEMA as a fair and reasonable approach to these problems. We agree with the Decision's definitional approach and believe that the distinction between basic and enhanced services is an essential ingredient towards the eventual deregulation of all enhanced services. Only then will it be possible for fair and open competition to take place and for unregulated companies to avoid costly and time consuming involvement in the regulatory process (CBEMA, January 25, 1985:3).

Before the issue of competition in enhanced services could be resolved, the CRTC had to deal with issues surrounding the resale of common carrier facilities. The tariffs and regulations of the common carriers had for some time prohibited the resale, sharing and interconnection of

their services except by specific agreement subject to CRTC approval. As common carriage facilities constitute the entire network for basic and enhanced services, the CRTC was concerned that the prohibitions against resale might impair the abilities of other parties to provide enhanced services. However, the user groups [CICA and CMA] were able to convince the CRTC that "there is no need for regulatory requirements with respect to the resale and sharing of enhanced services" (CRTC, Telecom Decision 1984-18:20). The CRTC had decided to allow the "resale of all carrier services...for the provision of enhanced services, it should not be permitted where the enhanced service has as its primary function the provision of a basic service" (Ibid:23).

Telecom Decision 1984-18 was in keeping with the CRTC's established position on competition in basic services. In Telecom Decision 1979-11 CNCP had been denied the right to compete in basic long distance telephony. Telecom Decision 1985-19 would once again retain this prohibition. Telecom Decision 1984-18 allowed other companies to compete with the dominant telephone companies for the enhanced services market, but basic services, such as public long distance, would remain the domain of the telephone companies. The powerful user groups had opened the door part way, but a favourable decision on competition in long distance would be

required before the goal of open and competitive resale markets could be attained.

Almost every significant telephone issue on the agenda of the CRTC since the announcement of Decision 1984-18 has had to do with this issue of opening the Canadian market entirely to competition for both basic and enhanced services. Chapter Six details the struggle for competition in basic long distance services. The remainder of this chapter will assess the successful effort on the part of large user groups and smaller competitors like Call-Net to gain competitive entry for the provision of enhanced services in Canada. This will establish the stakes, issues and goals to be assessed in the following chapter while illustrating the success of the user groups towards the seemingly inevitable decision allowing competition in all telephone services in Canada. In order to understand the broad issues surrounding this complex process, an analysis of the Call-Net case is essential.

(iv) Winners and Losers in the Resale and Enhanced Services Debate: Mounting Pressure to Break with the Past In The Call-Net Telecommunications Case

Following CRTC Telecom Decision 1984-18 (the decision to allow competition in enhanced services but not in basic services), and Telecom Decision 1985-19 (the decision further prohibiting competition in basic long distance services

specifically), the user groups have set their sights on the overall goal of completely opening the Canadian telecommunications market, basic and enhanced services to competition. Speaking to the notion of competition in basic long distance telephony, Frank Koelsch, of the Toronto based telecommunications consultants "Transition Group" was among those to begin to urge the CRTC to act. Koelsch's words emphasize pressures emanating from the United States:

High prices and restricted access to new services are hurting Canadian companies ability to compete. If we in Canada had fallen as far behind in the transportation industry, we would still be using horse-drawn carts. If trucks and planes were several times as expensive in Canada as the U.S. it would be viewed as a national catastrophe, hopelessly preventing our industries from competing. (Koelsch, In Unitel, October, 1991:2).

In 1989 users continued to argue that the CRTC, in its concerns about the erosion of MTS/WATS revenues, had limited the scope of resale of enhanced services too severely:

We believe that resale undertakings have not flourished for the following two reasons: (1) resale of private line services for the purpose of providing dedicated private lines to businesses offers little opportunity for savings to business and marginal profit opportunity to resellers; and (2) because of the facilities based restrictions associated with resale, no meaningful opportunity appears to exist for developing service enhancements (CADAPSO, August 10, 1989:1-2).

This time the CRTC gave much more ground to the resellers and users in Telecom Decision 1990-3. Let us assess the prelude to that decision as it is illustrative of the kinds of

external pressures being exerted on the CRTC in recent years.

By February 1987 most areas of Canadian telephony were open to resale and sharing except for basic local and long distance services and pay telephones. CRTC Telecom Decisions 1987-1 and 2 (February 12, 1987) established a framework for:

resellers, sharers and carriers to implement the resale and sharing of inter-city telecommunications services, except for the purpose of providing services similar to public long distance services.

CRTC Chairperson Andre Bureau commented that the decision

was in keeping with the Commission's objective to lighten regulation wherever possible, the provision of services by means of resale and sharing will take place in an unregulated environment (Canada: CRTC News Release, February 12, 1987:1).

Responding in part to the increasing demands of powerful user groups, Bureau made a concerted effort to remind business users that the CRTC had been committed to competition in as broad a manner as possible since 1979. "Today's decisions [1987-1 and 1987-2] continue the trend begun by the Commission in 1979 towards more competitive telecommunications services" (Ibid). Bureau was also very clear in his acknowledgment of who the immediate beneficiaries of competition would be. "Telecommunications users, particularly business users, will benefit from greater choice and supply and from potential economies" (Ibid). Major users, led the

Canadian Bankers Association, were not satisfied with the scope and pace of change:

After the release of 1987-2, the CBA developed its analysis of the savings associated with forming a sharing group. The results of this analysis were not encouraging as the cost of savings were limited when viewed in context with the added administrative overhead required. If this is the case in the banking industry, we would appreciate the problems with small business in trying to develop a sharing group. Therefore, as an association, our members do not plan to reconsider sharing as an option, under the current rules, in the immediate future (CBA, April 10, 1989:1).

As the CBA's dissatisfaction reveals, Bureau's comments did not answer fundamental concerns of the major users. As Michael Kedar, Call-Net president told me in an interview, users and reseller still wanted "the opening of MTS/WATS to competitive entry, including the ability to resell and share basic MTS/WATS services, and open competition in the value added services sector" (Interview January 30, 1992).

In preparing the executive summary of a study commissioned by Unitel and B.C. Rail, one research analyst who was brought in from the United States by Unitel, produced a report which stated:

...U.S. experience suggests: Canadian resellers exclusive dependence on obtaining and reselling private lines from Bell Canada and B.C. Tel is not likely to foster healthy growth of value added competition. In order to nurture healthy and constructive competition, resellers must be permitted interconnection to the public switched network and other carrier facilities, as well as their own facilities to become intermodal in

nature (Stanley Katz, August 1990:1).

Following Telecom Decisions 1987-1 and 1987-2 there have been two central and related cases before the CRTC that are relevant to this discussion. The first of these involves the efforts of Call-Net Communications of Toronto. The second involves the current effort of Unitel and its powerful backers to open the public long distance voice market to competition. [This material is discussed in detail in the following chapter]. Following the CRTC's Telecom Decision 1985-19, CNCP revamped its corporate image, financial backing and ownership. Ted Rogers purchased 40 percent of CNCP following the federal government's privatization of its half of the CNCP alliance. In every practical sense, this stood as a government move to privatize its share of CNCP Telecommunications and place it in the hands of a key actor seeking competitive telecommunications. The company's name was changed to Unitel Communications and a third assault on public long distance market was begun. While Unitel restructured and set its new strategy to rectify gaps in its 1984-1985 long distance competition plan, its powerful corporate supporters reorganized a new lobby group, ITAC (discussed in Chapter Four).

While the Unitel plan regarding competitive long distance was in the formulation stages, the large business

users found themselves supporting the efforts of a small Toronto based Company, Call-Net Communications, to compete in what were actually basic services. As we saw in Telecom Decision 1984-18, competition in basic services was prohibited. Again in 1985-19 competition in basic long distance was denied. While the effort was being planned to challenge this area through the front door by Unitel, Call-Net attempted to achieve competition in basic services through the back door (Interview with former CRTC Chairperson John Meisel, January 15, 1992).

Call-Net Communications first came before the CRTC in the summer of 1986 proposing to offer three new services: Call Detail Account Recording (CDAR), Selective Call Forwarding (SCF) and voice mailbox. The latter two services proved not to be viable and the company focussed its attention on CDAR (Interview with Kedar, January 29, 1992). CDAR became a hotly contested issue between the CRTC and Call-Net with the crux of the dispute resting on whether or not CDAR was to be considered an "enhanced service" under CRTC Telecom Decision 1984-18. By that decision, competition was allowed in enhanced services, but basic services were to remain a part of the Stentor network monopoly. Call-Net advertised the service as one which uses lines leased from Bell and CNCP, which are then "re-sold" to businesses which

use the CDAR service to monitor long-distance and local calls made by their employees (Kohut, February 6, 1988). Outgoing and incoming telephone calls are "tagged" with a real-time printout available to the customer identifying the receiver of the call and the allocation of time and cost on a daily, weekly or monthly basis depending upon subscriber needs (Call-Net, President's Report to the Call-Net Board, July 6, 1988:7). The emergence of the Call-Net case openly signalled the demand for cheaper long distance service by different fractions of capital. Prior to the Call-Net service, the federal government had been committed to ensuring efficient telecommunications for business so that economies of scale might be achieved. This meant that government policy to that point had been addressing the needs of the largest business users. The presence of Call-Net and its subsequent support from the Minister of Communication and Cabinet, signalled an effort on the part of government to support both the small and large business user. As we will see below, large users also felt they had a vested interest in the success of the Call-Net case. The CRTC however, was not as easily convinced.

Here the actions of the CRTC reveal the relative autonomy of the regulator. That is, as an agent of hegemony, we may say that the CRTC acted on behalf of the long run

interests of capital, not at the behest of any one block or narrow interest. What has really muddled the waters during the process of regulatory change has been the divergence between the Cabinet and its arms length agency the CRTC as to the exact nature of these long run interests. While the CRTC has favoured a cautious approach, the Cabinet has wished to press on. The reason for this is that the Cabinet sees change in telecommunications as only one aspect of alleviating the crisis, whereas the CRTC, immersed as it is in just one sector, has a more narrow scope of the problems at hand. We will return to the nature and meaning of Cabinet vs. CRTC conflict below in section (v).

In CRTC Telecom Decision 1987-5 the Commission turned down Call-net's application to offer the CDAR service. CDAR was turned down because it deemed was to be competition in the area of basic telephone service:

On the basis of the evidence filed by the parties involved, the Commission has determined that Call-Net is offering a basic long distance telephone service, and they were indeed alerted to the risk by the Commission before they began operations..."We cannot allow through the back door what we have explicitly disallowed through the front door" said CRTC Chairperson, Andre Bureau, referring to competition in long distance services (Canada: CRTC News Release 1987-5, May 27, 1987:1-2).

According to the CRTC, Call-Net was offering CDAR for the purposes of itemized account billing. This in itself was fine, but in offering CDAR, lines leased from Bell or CNCP

were open for use for basic long distance voice traffic. In 1985-19, the Commission had determined that erosion of this MTS/WATS voice market could not occur until a competitor could offer universal service; as such, they were not about to allow Call-Net to do what CNCP had been denied just two years prior. Bureau was referring here to the CRTC decision to forestall competition in long-distance service until CNCP could establish itself as a viable telecommunications company that could offer its services nationwide (Telecom Decision 1985-19). As we will discuss in Chapter Six, Telecom Decision 1985-19 was not a refusal of the notion of competition in long distance telephony as in Telecom Decision 1979-11; rather, it argued that CNCP was not yet ready, in the Commission's opinion, to offer a fully competitive nationwide long distance network with Telecom Canada members. The CRTC had accepted the arguments of users and competitive suppliers that competition was a good idea; they now had to be sure that a company could provide it. As they saw Call-Net offering basic long distance services in competition with Bell and CNCP via resale agreements, the Commission could not allow a much smaller company than CNCP to offer such services in light of the 1985-19 decision based on CNCP's size and national service abilities. The "thin edge of the wedge" had been driven into the regulatory system by CNCP and major

users. It would take a stronger force than Call-Net and its medium to small sized business clientele to open the gap more fully. This being the case, Call-Net president Mike Kedar, with the backing of the large and smaller users, made four important moves: (1) He convinced the DOC and the Minister of Communications to back his proposal; (2) He merged his company with a larger conglomerate, B.C. Rail-Lightel; (3) He enlisted the support of large users who saw the Call-net case for what it was, an opportunity to break down regulatory barriers that would eventually benefit their companies as well, and (4) Kedar and the major users persisted. As far as the CRTC was concerned, Kedar and the users would not go away (Interview with Kedar, January 30, 1992).

The president of Call-Net appealed directly to the Federal Cabinet to overrule the CRTC and to allow his company to offer CDAR service. Then Minister of Communications Flora MacDonald took Kedar's case to the Cabinet. Although Bell was successful in convincing the cabinet to uphold the decision, Kedar and MacDonald managed to gain a thirty day stay of execution of the CRTC order while Call-Net could restate its case more successfully. Over the next year the cabinet issued Orders in Council three times to extend the stay of execution of the original Call Net case, Telecom Decision 1987-5. Orders in Council (P.C. 1987-2134 of

October, 15, 1987; P.C. 1987-2349 of November 19, 1987; and P.C. 1988-265 of February 11, 1988) each extended the stay of execution of CRTC Telecom Decision 1987-5 which ordered Call-Net to stop its CDAR service. The role of the Minister of Communications is described in each:

1HEREFORE, HER EXCELLENCY THE GOVERNOR GENERAL IN COUNCIL, on the recommendation of the Minister of Communications, pursuant to subsection 64 (1) of the national Transportation Powers and Procedures Act, hereby...varies Telecom Decision 87-14 of September 23, 1987 by changing the number of days following that Decision when the stay of execution of Telecom Decision 87-5 ceases to apply from 30 days to 330 days; and requires Bell Canada and CNCP to supply Call-Net Telecommunications Limited during the period of the stay... (P.C. 1988-265:2).

P.C. 1987-2134 had extended the stay to thirty days, and P.C. 1987-2349 had extended it further to two-hundred and forty days. The stakes for Call-Net were extremely high in these dealings with Cabinet. President Michael Kedar informed me that "the continued survival of our company depended upon gaining those stays [of execution of order 1987-5] from the Minister of Communications and the Cabinet" (interview of January 30, 1992). During this time period Call-Net returned to the CRTC and was turned down for the second time (Canada: CRTC Telecom Decision 1987-14).

While the Minister of Communications and the Cabinet bought time for the reseller, Call-Net returned to the CRTC for the third time. Call-Net proposed that CDAR was now an

enhanced service, and that it should be allowed because it was part of a sharing network in the Toronto area. (The CRTC had allowed sharing groups for enhanced services in 1987). CRTC Telecom Decision 1988-11 offered a third rejection of the Call-Net service restating the Commission's earlier belief that the CDAR service was not an enhanced service. As the FCC did in the Execunet case in the United States in 1977, the CRTC worried that allowing the CRTC service as an enhanced service would result in the "provision of services that are in the nature of MTS/WATS" (Canada: CRTC Letter Decision 1988-9, explaining Telecom Decision 1988-11, September 6, 1988:6). Although CDAR and Execunet are very different services in kind, the regulator in each case was concerned about changes to the telecom pricing structure. These concerns are detailed in the following chapter on MTS\WATS competition.

The Call Net case, up to the time of CRTC Telecom Decision 1988-11, sent the CRTC the message that the cabinet, which appoints the CRTC, favoured competition in basic as well as enhanced services. Marcel Masse, who succeeded Flora MacDonald as Minister of Communications, made it very clear that he favoured competition in MTS/WATS, resale and sharing of basic and enhanced services, and the introduction of telecommunications regulatory framework in keeping with the

American model. Masse continued to argue in favour of more open competition while the Call-Net case dragged on.

Speaking to a group of satellite users at a Telesat Canada sponsored conference Masse promised that the new Telecommunications Act would put the CRTC more directly under the Cabinet. He argued that this move would have the effect of speeding the introduction of competition and new services, as the users and providers would now need to only deal with one regulator, directly tied to cabinet policy, rather than the eight regulators that a national company now has to conduct negotiations with in order to offer services ("Planned Law Would Let Ottawa Deregulate Telecom" Globe and Mail, June 20, 1989:B2). Despite these rumblings from the Department of Communications and the Cabinet, the CRTC's decisions against Call-Net made it clear that Call Net and the user community would need to mount a unified collective assault on the CRTC. While Call-Net faced Cabinet and the CRTC, major users came to the resellers' aid. Alongside the Canadian Bankers Association, the Canadian Manufacturers Association has served as a major interest group supporting Call-Net. The CMA lobbied Cabinet on behalf of the reseller:

The CMA did support the Call-Net Telecommunications appeal of these decisions to the governor in council because we did not feel the decisions were consistent with Decision 1984-18, nor were they consistent with the thrust of the Minister of communication's policy

statement of July 22, 1987 with respect to the role of enhanced service providers (CMA July 6, 1988:1).

ITAC, whose member companies' revenues totalled over \$15 billion in 1988 (Mosco, 1990:10), also came to Call-Net's aid in this effort pointing to the variance between the CRTC position and that of the more globally minded FCC:

Decision 1987-5 finds, however, that CDAR, which involves enhanced features such as subscriber interaction with stored information, is a basic service. The confusion on this point is further evidenced by the fact that the U.S. FCC, in applying the same technical definitions to CDAR, reached opposite conclusions...We do not see what relevance the different regulatory movements in Canada and the U.S. have on the application of technical definitions to specific services (ITAC, July 29, 1988:5).

CADAPSO also backed Call-Net:

CADAPSO agrees with Call-Net that it is difficult to envisage any voice service that would pass the Commission's interpretation of these [primary function] tests and have a broad market appeal. CADAPSO questions whether the goals of the Commission, to establish an unregulated and competitive enhanced services industry, can be achieved in the narrowly defined voice services sector (CADAPSO, July 7, 1988:1).

CBTA also supported the small reseller:

With respect, CBTA submits that the services currently offered by Call-Net should be considered to be "enhanced" within the meaning of Decision 84-18. In this regard the CBTA would rely on the arguments advanced by Call-net...(CBTA, July 6, 1988:2).

And from the Association of Competitive Telecommunications Suppliers (ACTS):

ACTS remains of the view that the Call-Net application should be accepted by the Commission

and a failure to address some specific issue contrary to the Call-Net application should not be seen as support of that position by ACTS (, July 29, 1988).

The Telecommunications Workers Union (TWU) felt that the corporate lobby was to be expected, but expressed dissatisfaction with the role of the DOC in supporting Kedar and his company against the ruling of the regulators at the CRTC:

One particularly disturbing aspect of this case is the fact that officials of the DOC have been helping a private company to draft criteria that the company then used in its attempt to sidestep the CRTC and overturn the earlier Privy Council ruling. This raises fundamental questions about the role that certain government bureaucrats may be playing vis-a-vis our elected members of government (TWU, February 8, 1988:2).

According to telecommunications analyst Lawrence Surtees, the key to understanding these fundamental questions posed by the TWU as to the role of the DOC and Cabinet for the Call-Net case, is to understand the activities of Charles Dalfen. Dalfen was a former vice-chairperson of the CRTC who left the Commission to return to the private sector. His job? ... Counsel for Cantel Communications, the cellular telephone subsidiary of Rogers Communications. Surtees argues that Dalfen employed his years of inside knowledge of the telecommunications policy process to serve as the

architect of Call-Net's back-room fights to survive. Between 1983 and 1990, Dalfen lobbied the Cabinets of

three Prime Ministers more than half a dozen times to fend off attempts by monopoly telephone companies to shut Call-Net down--and fought one CRTC decision to the Supreme Court of Canada (Surtees, March 17, 1992:C1).

User groups such as these, and companies like American Express in the United States played a key role in ensuring that enhanced services made it onto the Canada-United States Free Trade Agreement. Along with Citicorp, Arthur Andersen & Associates and Peat Marwick, AMEX formed a lobby group which succeeded in having the United States government publish an international declaration on transborder data flow. The resulting Data Declaration of 1982 was designed to promote unfettered international data flow, the development of private networks for data communications, and the ultimate elimination of barriers to the international flow of data and business communications in general (McQuaig, 1991:146ff). As we learn from McQuaig, the CUSFTA contained an important "hidden" service sector agenda. The CUSFTA also reveals the unequal power and influence exercised by various classes of users. As the continent's most economically advantaged members, AMEX and other large users and providers enjoyed inside access to trade policy making elites (see McQuaig, 1991:146-180).

The effort to export United States style privatization policies around the globe has been spearheaded by these corporate lobbies. Canada may be viewed as the first step on

the way to a North American continental network, and even as a preliminary step to a global network. The Department of Communications (Standards Program Office) and the Canadian Interest Group on Open Systems (CIGOS), have already been working together to support and implement Open Systems Interconnection (OSI) for the establishment of North American and global information technology and telecommunications links for Canadian businesses. When asked to comment on the Canadian government's involvement in this project through the DOC's offices, Bill McCrum, Director of the DOC's Standards Program Office said:

The Canadian Information technology and telecommunication (IT&T) industry needs a trusted third party to act as an arbitrator, catalyst and coordinator for IT&T standards activity. For the most part, Canadian industry cannot afford the investment of resources in the sometimes long and complex standards and policy process. A DOC expert can promote a variety of Canadian industry's views and share the results across a wide range of interested parties" (McCrum, January 1992:3).

In this effort, DOC policy is being closely aligned with Canadian trade policy as expressed by Michael Wilson, Minister for International Trade: "As tariff barriers come down, we need to ensure that unnecessary technical barriers do not grow. Otherwise, gains made in liberalizing trade through tariff reductions will be compromised" (Wilson August, 1991:4). Wilson and McCrum's comments remind us that many apparatuses of the Canadian state are now working to

ensure that the goals of the multinational telecommunications user community become those of Canada as well. (The Free Trade Agreement and international telecommunications policy are discussed in more detail in Chapter Eight).

Following CRTC Telecom Decision 1988-11 [the CRTC's third rejection of Call-Net's service], Michael Kedar wrote to Communications Minister Flora MacDonald again asking for help from the cabinet:

As a result of Telecom Decision 1988-11 of August 16, 1989...Call-Net has no choice but to restructure its operations. ...We would therefore urge you to treat this letter as a petition [the fourth such plea, the first three being accepted] to the Governor in Council to vary P.C. 1988-265 by giving Call-Net a further 90 days in order to bring its operations into conformity with the resale and sharing rules set forth in the Telecom Decision (Call-Net, August, 18, 1988).

Call-Net got its fourth stay and the CRTC got the message from Cabinet. The result was Telecom Decision 1990-3.

The hearings which resulted in Decision 1990-3 saw the most unified collective effort on the part of resellers (Call-Net, Cam-Net, Marathon Communications and Powernet Communications), trade and business associations of all sizes (ACTS, CADAPSO, CFIB, CBTA, ITAC, and the CMA), and business users (Canadian Tire Acceptance, IBM Canada) since the CNCP MTS/WATS case in 1985 (discussed in the next chapter). Large users argued that the current restrictions on resale and sharing from Telecom Decision 1987-14 discriminated against

resellers and sharers. CFIB [representing small and medium sized businesses] worried that cost increases incurred by small business in the United States following deregulation could be repeated in Canada (CFIB, February 7, 1989:5). As such the CFIB tried to play a central role in the reform process initiating the proceedings which resulted in Telecom Decision 1990-3. Many users took the position outlined by Canadian Tire Acceptance:

...the present service offerings of Call-Net should have been considered enhanced and the resale of Bell's basic service permitted. The apparent, major reason the Commission determined these services do not conform to the rules regarding resale is possible revenue erosion. The rules should be adjusted to consider two aspects; that some form of enhancement is offered and that the service offering is in the public interest... (Canadian Tire Acceptance, July 6, 1988:2).

Regarding the possibility of revenue erosion, the Director of Competition for Consumer and Corporate Affairs argued that this consideration did not warrant detailed attention from the CRTC: "Finally, the Commission should no longer be overly concerned with the possible contribution erosion resulting from a competitive advanced services market" (The Director, Investigation and Research, Consumer and Corporate Affairs, cited in CMA, July 6, 1988:7). Some large users agreed with the submission of the CFIB "that most of the benefits of private line services have been restricted to large business

users" (ACTS, April 7, 1989:6). The CFIB argued that the Canada-United States free trade agreement highlights cost and efficiency discrepancies favouring the United States over Canada (CRTC, Telecom Decision 1990-3:10). The Canadian Petroleum Association agreed:

Free trade will demand we be competitive and to deny business the opportunity to reduce its costs seems inconsistent with other government programs of encouragement...The CPA believes a more liberal policy applied to telecommunications resale and sharing would benefit the industry (CPA, April 10, 1989:2).

The telephone companies, led by Bell Canada, argued that more liberal regulations on resale and sharing would result, among other things, in an increase in Canada-Canada traffic carried on U.S. networks, the diversion of Canadian-overseas traffic through American networks, the indirect entry of carrier affiliates into the MTS/WATS market, and a loss of settlement (cross-subsidy) revenue leading ultimately to higher local rates (Canada: CRTC, Telecom Decision 1990-3:10).

While admitting the possibility of these negative effects as outlined by Bell, the CRTC concluded that there were more important benefits to be derived from the further liberalization of resale and sharing. The small providers, small and large users and the Cabinet had finally won their battle with CRTC. The question which remained would be how severe the market impact would be from liberalization. The

CRTC's final Decision in 1990-3, then further liberalized resale and sharing in Canada for joint use voice purposes. Resale and sharing was permitted in the area of private lines supplied by facilities based carriers (eg. Bell Canada). Resale companies like Call-Net were now to pay Bell and B.C. Tel \$200 per month per inner city circuit for access. The CRTC held that this money would satisfy any potential losses by the telephone companies that might affect general rate structures (Montreal Gazette, March 3, 1990:C3). Call-Net Telecommunication President Mike Kedar said the decision "signalled the end of the long distance monopoly in Canada" (Ibid). In a telephone interview on January 29, 1992, Kedar said he felt that Telecom Decision 1990-3 "was a complete victory for Call-Net in its long running battle with the CRTC and the telephone monopoly". Kedar then pointed to the current developments in the resale market and the linking of the resale and sharing case to the current Unitel MTS/WATS case before the CRTC.

According to Kedar, the liberalization of resale and sharing by the CRTC requires further expansion. The Call-Net B.C. Rail group have even proposed a "pilot project" of a very similar nature to that proposed by MCI in their St. Louis-Chicago network of the late 1960's:

Wide open resale of private line voice services may be premature; a pilot program allowing established

competing interconnected carriers to resell private line for joint use is one method of initially controlling and determining any MTS erosion (B.C. Rail, April 10, 1989:1).

Alongside the Unitel bid, Call-Net (now part of the B.C. Rail-Lightel group), is asking for three further concessions that would bring resale in Canada into line with the U.S. system: (1) The right of nationwide reselling (currently the scope of CRTC Telecom Decision 1990-3 only allows resale activities in British Columbia and Ontario); (2) The resale of WATS (this challenges Unitel's bid to become a duopolist alongside Bell and would see many resellers as in the United States), this would see Call-Net have equal access as a carrier to the public long distance network; (3) The right of resellers to own, build and operate their own facilities and networks to meet business demands. Kedar explained that he expected to win the first concession and probably the second. He admitted that the third was doubtful at this time.

At present, the CRTC is making determinations about both the Unitel and the B.C.Rail-Lightel-Call Net applications. Regardless of how the Commission decides, a number of important events have taken place involving the struggle for resale and sharing in the past ten years which provide us with insight into the operations of the CRTC as an agent of hegemony. As we have seen in the case of resale, sharing and enhanced services, the CRTC has been an agency of hegemony.

While remaining steadfast to established goals of public service regulation and the public interest, the CRTC as a federal state apparatus has been besieged by a number of powerful forces in a struggle over an emerging terrain of great stakes. The forces of multinational capital have convinced the Cabinet and the CRTC (Canada: CRTC Telecom Decisions 1985-19 and 1990-3) of the importance and value of a competitive, market driven telecommunications sector.

Clearly the big users have achieved great success in getting competitive telecommunications on the agenda in Canada. Resale sharing and enhanced services have become an important front in the broader terrain of struggle, which includes both MTS/WATS and international telecommunications policy. These stakes take on at least two important dimensions (1) those for an emerging consumer/producer such as Call-Net, and (2) the stakes for the corporate sector (including businesses of all sizes). In the case of a potential competitor like Call-Net, the resale and enhanced services cases were life and death struggles for the company. In Kedar's words: "We were really in big trouble if [CRTC Telecom Decision] 1990-3 didn't go our way" (interview of January 29, 1992). Today Call-Net boasts that it is:

the largest reseller of telecommunications services operating in Canada today...more than 4,000 customers benefit daily from the competitive rates and value

added services that make up the Call-Net portfolio.
(B.C. Rail-Lightel- Call-Net, Response to CRTC Telecom
Notice 1990-73:3).

This is particularly important as resale and sharing of MTS/WATS lines has been a major factor in the restructuring of American telecommunications rates. Competition and deregulation have meant that former public utilities have been forced to sell bundles of network time to competitors who offer further bulk rates to large telecommunications users. Long-distance revenues are not as high as they used to be for these utilities; the money for the alleged long distance to local cross subsidy is no longer available as under a regulated monopoly format. This caused local rates for residential users to rise while long distance rates for corporate telephone users declined (see Chapter Six on MTS/WATS competition). The CRTC declined to allow competition in long distance in 1985 (Canada: CRTC Telecom Decision 1985-19). Should the CRTC decide to allow competition in the future however, the existence of competitive enhanced services in an environment of resale and sharing will lead to increased pressures to throw the entire telecommunications marketplace, including long distance, open to resale and sharing. In fact, it is difficult if not impossible to envision a competitive market for long distance services that does not entail resale and sharing. CRTC

Telecom Decision 1984-18 pushed the door open further towards an eventual market driven telecommunications system in Canada. At the time of the CRTC hearings, Bell had suggested that basic services be offered exclusively by regulated common carriers.

American resellers, interested in the Canadian market have also appeared before the CRTC in recent years on behalf of competition in Canadian markets. One of these intervenors, the Enhanced Services Council, asked the CRTC to foster an effectively competitive enhanced services market. ESC makes it clear that this should include basic as well as enhanced services:

ESC is concerned, however, that this objective is unlikely to be realized until the regulatory authorities, such as the CRTC and the FCC, develop appropriate rules governing the resale of those "basic telecommunications services" which can be obtained only from regulated local telephone exchange carriers. Further, ESC is concerned over the creation of non-reciprocal opportunities for Canadian businesses operating in the United States. For example, CRTC regulatory restrictions prevent a U.S. enhanced services provider (ESP) marketing call/network management services in the U.S. from licensing its software to a Canadian ESP (Enhanced services Council, July 8, 1988:2-3).

Another American-based reseller, RCI Corporation (a Rochester Tel Company), has already entered into a contract with Call-Net (November 7, 1986). Under this agreement: "RCI customer calls originated at points located in the U.S. may be terminated in Canada via Call-Net's network, and Call-

Net customer calls originated at points located in Canada may be terminated in the U.S. via RCI's network" (RCI, November 7, 1986). Call-net and RCI connect using CNCP lines (see Figure 5-1).

Figure 5-1
Call-Net, RCI, CNCP (Unitel) Interconnection

Source: RCI-Call-Net Connection Agreement, November 7, 1986, Appendix III, Exhibit B.

RCI has told the CRTC:

Commerce between Canada and the United States continues to grow. As trade in general increases, the need for telecommunications services will also increase. This is not to say that the telecommunications industry in Canada and the U.S. should be exactly the same, but rather that terms, definitions, and services should be similar enough that commerce would be encouraged and not hampered (RCI, July 7, 1988:3).

Ontario and the common carriers had argued that the use of FCC definitions was inappropriate in Canada due to differences in industry structure in the two countries, the United States situation being open to competition at this time. However, the Commission concluded that the definitional approaches put forward by Bell and Ontario would "serve to discourage investment by parties other than common carriers in the enhanced services market" (Canada: CRTC, Telecom Decision 1984-18:17). Chapter Six will develop these themes further, as we discuss the role of large users on another important front--MTS/WATS telephony and the attempt to open the Canadian public long distance market to competitive entry. It is important to recognize at this juncture that the push in resale, sharing, VANS and enhanced services contains all of the essential elements of the telecommunications debate in Canada today. Business users, led by large multinational users groups (but not including smaller fractions of capitalist enterprise) have battled with the establish telephone carriage monopoly over the

established regulatory framework. This framework, the telephone companies argue, maintains artificially high prices for business users in order to finance a greater social goal of universality and affordability. The introduction of resale, sharing, VANS and enhanced services in the United States has had a tremendous spin-off effect in Canada. Major users argue that if Canadian companies are to compete abroad, and if foreign branch plants in Canada are to uphold healthy profit margins for their parents, telecommunications costs must be reduced. Resale and enhanced services seem, for business users, to be the most logical way to reduce some of their telecommunications budget. In the words of one Canadian executive speaking on the role of telecommunications and the policy process:

We have one of the most highly educated, highly mobile, multilingual nations in the world. Canada is in the best position to exploit tremendous opportunities. But until government helps us export our strengths, we're not going to get anywhere (Francis McInerney, president of North River Ventures of New York, in Gates, March 5, 1990:35).

Bell and the Stentor network respond that under so-called competitive arrangements, Bell customers, according to Bell president Jean Monty would be:

...easy pickings for any customer who undercut our prices. And the pickings would be even easier under regulation which constrained Bell, while at the same time, protected a new entrant from competition, [he would agree to competition] provided the same rules

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and obligations to serve apply equally to all parties (Jean Monty in Gayle MacDonald, March 5, 1990:36).

As in the case of MTS/WATS competition, the telephone monopolies have been joined by a number of concerned groups in opposing change. Although people like former CRTC vice-chair Charles Dalfen may possess the inside connections to achieve policy influence, and large user groups may have the economic power and resources, labour unions and citizens groups have played an important role in trying to restrict corporate gain at the expense of pain to average consumers and workers. These groups have argued that the introduction of competition to resale, sharing and enhanced services will lead to the erosion of the MTS/WATS revenues used to cross-subsidize local rates. The British Columbia Old Age Pensioners Organization (B.C. OAPO) played a key role in opposing Call-Net before the CRTC making, the case that Call-Net was the keystone that, if allowed, would see United States and Canadian resale companies reduce the MTS/WATS dollars used for cross subsidy purposes (Gathercole, July 6, 1988:3). As these issues are dealt with in Chapter Six, there is no need to dwell upon them here. It is useful however, to understand that the Sherman Task Force, appointed by the Mulroney cabinet, found that there would be significant losses of these revenues, which have been traditionally used to keep local rates low and universality

high in Canadian telephony. The Sherman report estimated that the introduction of resale long distance competition on local rates to 1995 would see local rates increase in the areas served by Bell Canada by 32.8 percent. B.C. Tel customers would see a 41.8 percent increase while those served by North-West Tel would see an increase of 71.8 percent (Peat Marwick study for the Sherman Report, Exhibit 6-11:2, Canada: Federal-Provincial Territorial-Task Force, 1988:183).

This study, as well as the moves towards MTS/WATS competition and rate restructuring outlined in Chapter Six, make the following statement of the Communications Workers of Canada (CWC) statement on the potential impact of resale, sharing and enhanced services, written in 1984, seem very prophetic:

We are greatly concerned about the tendency...to remove the profitable parts of the telephone monopoly so that certain large businesses can get additional and enhanced services at rock-bottom rates. Because of the loss of the profitable terminal attachment, enhanced services and toll markets, the common carriers will have lost the cross-subsidy which kept residential and rural rates universally available. Already the moguls of the telephone industry, de Grandpre, Heenen and Fitzgerald have begun softening up the consumer, preparing us for massive local rate increases. If increased competition results in gains for businesses at the expense of ordinary consumers, then we do not need more competition (CWC, February 2, 1984:2).

Sasktel has made the case, returned to in Chapter Six, that

rural users will suffer the most from competition in resale and sharing, and its impact of MTS/WATS rates used for cross subsidy purposes:

We submit that resellers will target only the most profitable market segments of the MTS/WATS market and will ignore the smaller segments such as small cities, towns, rural communities and remote areas. In addition, resellers would be apt to ignore small volume MTS users in favour of large volume users in order to maximize profits, thereby further reducing the number of telephone subscribers who would benefit by changes in this area (SaskTel, April 7, 1989:3).

TWU and CWC have also expressed fears about job losses in the industry due to the introduction of competition in resale and enhanced services. According to Joel Bleeke, the concerns of labour may well be borne out in a more open competitive environment. Bleeke, drawing on United States government data, has written that the introduction of competition into the trucking industry saw "more than 72 companies, accounting for over \$2 billion or 16% of industry revenues, shut down between 1980 and 1982 alone" (Bleeke, September 1990:159). Similar job losses have been recorded in the airline industry in the U.S. following the introduction of competition, but there is little real competition in most major flight routes. Bleeke warns that:

it is crucial not to underestimate the power of large competitors over time to make big better again. In the deregulated airline industry, the use of hub control, computerized yield-management systems, and frequent flyer programs have been

powerful tools for competitors to regain clout and pricing power. The top eight airlines now control 92% of revenue passenger miles ...local oligopolies are also apparent at many major hubs, in St. Louis, TWA controlled 82% of the traffic in 1988 compared with 43% [prior to deregulation] in 1979 (Bleeke, September 1990:162).

(v) Summary

The issues are complex and the stakes are high in the terrain of struggle that is the telecommunications sector and its regulatory framework in Canada today. The regulator has been forced to respond to the demands of business users in the resale, sharing, VANs and enhanced services decisions. The next chapter will examine how these same forces have attempted to make similar gains in the area of long distance telecommunications. The central issues in resale, sharing, VANs and other enhanced services, are the essential issues in all aspects of telecommunications conflict today. Large users want access to increased services at lower prices, established carriers want to maintain profit and growth as in the past, as new service providers emerge to challenge their dominant position. The decision to merge the current Unitel challenge over long distance competition with the next round in the resale policy process (see Canada: CRTC Telecom Public Notice 1990-73), highlights the way in which resale and enhanced services in the future, are inextricably woven

into the long distance rate structure. Most importantly, large users come to the aid of a small company like Call-Net because they envisage themselves, in a deregulated, competitive environment, not only as major users of resale and sharing networks for basic and enhanced services, but also as major suppliers of resale time. As the CMA put it:

Those CMA members who are present or potential providers of enhanced telecommunications services will also be significantly affected by the Commission's decision as it will determine how effectively they can market their services (CMA, April 6, 1989:1-2).

B.C. Tel has expressed concerns about such activity, drawing on examples from the United States following the introduction of competition in enhanced services and the deregulation of resale and sharing:

B.C. Tel believes that the thrust of competition in the new industry will come from multinational firms with strong computer or information provision bases. Examples may already be found in the U.S. of large publishers and computer firms entering the communications field (B.C. Tel, March, 1984:3).

The survey of evidence presented above indicates that two fractions of capital, possessing a similar vested interest, have led the forces seeking change. In terms of users, on the one side stood the large corporate users of telecommunications systems and services; on the other, the would-be competitive providers led by Call-Net Telecommunications. Call-Net has received the support of large users such as the Canadian Bankers Association, who

may well desire to act as resellers themselves following the passing of the new Canadian telecommunications act [expected in late 1992 or early 1993]. Here we see traditional notions of production and consumption challenged by the emerging neo-Fordist order. As in the case of the banks as resellers, the act of consumption is now part of production in the post-industrial information economy.

It was not the Canadian public at large [the vast majority of users of the network], or the workers in the telecommunications sector that brought the cases forward, but rather, a few select interest groups who felt they had great stakes in reshaping Canada's telecommunications policies involving resale, sharing and value additions to basic services. We saw that regulatory and judicial decisions in the United States have created a continental framework in which Canadian telephone companies, regulators, users, and competitive providers have been encouraged to seek to move away from traditional policy positions in Canadian telecommunications regulation. We have witnessed the success of resellers in driving open resale and sharing provisions with the support of powerful business lobbies.

This chapter has introduced the players, stakes and central issues at the heart of the telecommunications debate in Canada today. We have seen how issues involving the

resale, sharing, and adding value to basic services are at the centre of demands to open Canada's MTS/WATS system to competition. Perhaps the greatest single success for the business lobbies over the past two years is to succeed in having the CRTC consider open resale and sharing concurrently with the Unitel application for MTS/WATS competition. Over the past fifteen years users and would-be competitive providers have mounted a concerted and successful effort to reshape the very agenda of telecommunications policy making in Canada. The new neo-Fordist regime will contain strong elements of competition and market regulation, and a breaking down of traditional conception of users and providers. The task of the state, as the new social contract is forged, will be to continue to manage the tensions, contradictions and conflicts between competitive suppliers, established monopolies, and between different classes of users. The next three case studies will elaborate upon this effort in a variety of areas, as the state seeks to cope with the contradictions and struggles within telecommunications while traditional concepts of market, production and consumption are challenged and transformed.

Moreover, this chapter has also begun the process of identifying the ways in which the CRTC works as an instrument of class hegemony in Canada. In terms of Mahon's call for an

assessment of the CRTC as an instrument of hegemony, we can already draw some useful conclusions. Fitting the above series of events into Mahon's analysis we can say that the CRTC has been called upon by a variety of powerful interests to represent the interests of the dominant class in Canada. As resellers like Call-Net step forward to participate in the Canadian telecommunications market, they find great support from the business community seeking lower telecommunications costs and increasingly private networks, as opposed to the tradition of public network development in Canada that has existed for over one hundred years.

Despite what Babe has written about the power of the telephone company monopolies, even the mighty Bell Canada has found itself retrenching and restructuring to meet the demands of the user community. In this, no one company dominates the process; the long run interests of the capitalist system of accumulation are held above the interests of any one company or narrow interest group. In Canada, as in the United States, the only group which could step forward to match the power of the monopolies before the regulators--multinational capital--did so with a good deal of success. As the FCC and the courts succeeded in eliminating significant conflict by responding to the demands of the monopoly carriers, competitors and users, they acted as an

agent of hegemony. [The long run accumulation interests of the dominant class were maintained]. In Canada, the CRTC has assumed the same role; rather than being led by the courts, the CRTC has been led by Cabinet policy.

Although the CRTC has been a somewhat reluctant advocate of change, it has had a certain program forced onto its agenda by a variety of powerful user and provider groups. The hegemonic class in Canada--large banks, trust companies, manufacturers, data firms, oil and gas companies and retailers have all brought their interest before the CRTC through organizations such as ITAC, CBTA, CMA, CFIB, CBA and the like. As the CRTC must adopt the agenda that is brought to it by this community it has, in Mahon's words, represented the interests of this dominant class. Subordinate classes have responded through the actions of TWU, CWC, NAPO and B.C. OAPO, but the agenda has been driven by the representatives of the dominant economic class leaving the representatives of subordinate classes try to salvage as much of the old public service concept as possible.

Following the Call-Net/Resale decision (Canada: CRTC Telecom Decision 1990-3), two more resellers, Fonorolla and ACC Long Distance Ltd., won further concessions from the CRTC. In this decision the CRTC ruled that a user may now use lines other than those of Telecom Canada members to

access Teleglobe's overseas communications links. As of this decision, any private line from Bell, any Telecom Canada (Stentor) member, CNCP or Telesat may be used to access the Teleglobe network. Formerly only Telecom Canada members could legally establish such a communications link. This case signalled the removal of all resale barriers except those in the public long distance (MTS/WATS) network. With the coupling of the current MTS/WATS case and the current resale case, both involving this network, we can reasonably expect the CRTC to open the door further to MTS/WATS competition with some accompanying rules on resale of basic long distance services. In making this decision the CRTC admitted that the presence of continental pressures influenced its decision making process, as the Commission said that the decision should lead to less bypass using American networks (Globe and Mail, September 5, 1990:B3).

While the CRTC has adopted the agenda set by a large fraction of the dominant class and thereby represented it at the state level, the Commission has functioned as an instrument of hegemony. The CRTC has simultaneously regulated and represented. Intra ruling class conflicts between Bell and user groups or would be competitive providers are resolved in a national arena. The interests of the hegemonic bloc of the dominant class are represented, the

regulatory system is challenged and reformed, and subordinated classes do what they can to protect past gains. The interests of the dominant class are maintained while a peaceful negotiated settlement is resolved. Andre Bureau's remarks [above] return to mind at this point. Indeed the Commission has "created new business opportunities" for the dominant class.

In its effort to respond to the dialectically opposed institutional (class) forces within capitalism, the CRTC, has attempted to responded to the demands of the dominant economic class while not opening overt class conflict. That dominant economic class is itself responding to international pressures which began in the United States over a decade ago. It is the nature of the CRTC as an entity, as a regulatory body with policy making status, that makes it an instrument of hegemony. Harkening back to the materials in Chapter Two, we can see the CRTC satisfying two of Poulantzas's key principles of state power: (1) The CRTC remains relatively autonomous from the dominant class while accepting its agenda, and (2) The CRTC acts as a unifying element in Canadian capitalism for the dominant class.

As we approach the remaining cases in this study, particularly the one immediately following on MTS/WATS competition, it is important to recognize that the state and

its various apparatuses such as the CRTC, is a social relation with a great deal of power in a capitalist society. As the federal state has been called upon by the dominant class to alter social policies in recent years, so too has one of the state's apparatuses, the CRTC, been called upon to respond to changes in the telecommunications sector. As the balance of power has shifted away from monopoly in the real world of telecommunications, domestically and internationally, the CRTC's agenda is moulded by those appearing before it to conform to this new reality.

Such a view sees current efforts in Canadian telecommunications regulation within the context of a transition from one mode of regulation to another within a context of class struggle. This is an effort to understand the state and its regulatory apparatus the CRTC, "as a special case of the unequal structure of representation through which the authority of the dominant class and, in particular, the leading fraction of that class, is dynamically reproduced" (Mahon, 1980:165ff). While Fordist patterns of accumulation evolve into new formations, the CRTC as a regulatory instrument plays its role as an instrument of hegemony. By responding to the demands of powerful corporate clients the Commission, like the FCC in the United States before it, is playing a lead role in establishing a new

policy and a new set of social relations in Canada. Specifically, the CRTC has been the central arena [within telecommunications], whereby the old social contract commitments to universality and affordability through the development of social networks, have become secondary to corporate needs for private networks geared to market forms of regulation. The CRTC's position on resale, sharing and value additions to basic telephone service has changed drastically over the past ten years. While it would not be at all fair to describe the CRTC as thoughtlessly abandoning former public service goals, the Commission has, as a matter of course, adopted an agenda set by a corporate order devoted to the implementation of more market oriented private models. Resale and sharing and value additions to basic networks have been at the heart of this effort.

As noted above, a very interesting and perhaps difficult to understand, element of these struggles has been the emergence of conflict amongst varying levels of the state (especially that between the Cabinet and the CRTC). I have explained this in part, as being due to the scope of outlook of each body [the Cabinet having a broader conception of crisis and crisis resolution than the more narrow scope of the CRTC and its primary concern for telecommunications alone], but there is more to the issue than this. Cabinet

vs. CRTC conflicts may also be accounted for in terms of the complex nature of the transition from Fordist to neo-Fordist principles [themselves highlighted by a transition from public service to market oriented regulatory guidelines]. The CRTC, while acknowledging the benefits of competition, especially for the large corporate user, is also faced on a day to day basis in its hearing process, with a series of conflicting class demands. Capital has expressed its displeasure with the pace of the adoption of competitive principles at the CRTC. This pace is however, quite understandable in light of the composition and rules of procedure [hearing different sides of the story] that is the case with Cabinet, which is essentially a vehicle closed to all but the most economically advantaged members of society [or those like Dalfen and Kedar, who act on their behalf].

Faced with day to day evidence of class conflict the CRTC has been able to act as an agent of hegemony, but with a more cautious approach, attempting to reconcile a variety of complex and dialectically opposed interests [producers and consumers as well as class differences between and among each]. In recent years, especially since the Call-Net case, the CRTC has been "encouraged" by the Cabinet to develop competitive policy models and decisions more rapidly. With the coming of the new telecommunications act, [Chapter Nine],

the CRTC will be under even tighter Cabinet control especially in terms of a policy mandate and focus. I would argue that the Call-Net case and the dissatisfaction of large users with the pace of change at the CRTC in some areas, played a very important role in seeing the Cabinet seek these changes in the new act.

Conflicts between Cabinet and the CRTC have illustrated a further dialectic of the policy process. These conflicts both embody and reflect class conflicts among and between producers and consumers. Note for example, how the nexus of conflict between the CRTC and the Cabinet always seems to occur when the issue of the traditional cross-subsidy from long-distance to local is being threatened. This has brought the CRTC into conflict with Cabinet exactly at the point where the Commission seeks to reconcile the class conflicts that appear before it on a daily basis. The Cabinet, more committed in recent years to the needs of large users and a broader conception of crisis and crisis management, has pressed the CRTC to act more swiftly. Indeed the CRTC has acted swiftly in almost all areas where the acceptance of competition is involved (see especially Rideout, 1991) except where the cross-subsidy issue [the nexus of class conflict in terms of rate restructuring] comes to the fore.

As we will discuss in Chapter Nine, the Cabinet's more

swift action may well backfire in terms of fanning the flames of class conflict. As Jessop (1991) notes, a regulatory apparatus does not always act in the immediate interest of the dominant class. In the case of resale and sharing we see that this has been the case. The CRTC has carefully tried to negotiate the contested terrain of telecommunications and thorny issues of which users pay what portion of the costs of telecommunications. For now it is important to understand that the CRTC has acted as an agent of hegemony and as an agent of legitimation, trying to smooth over class conflict. The CRTC has faced a fundamentally contradictory situation, attempted to resolve it, but in the process, has been drawn into increasing conflict with the Cabinet as neo-Fordist relationships continue to emerge.

In terms of winners and losers, the case of resale, sharing, and enhanced services reveals a clear winner: the business telecommunications user [who, in the case of banks and other large companies, stands to benefit as a user and a potential new provider of services]. The loser is not as easily identifiable but is indeed present. Residential telecommunications users will eventually pay for the losses in revenue being taken from the providers of home telephone service (the Bell-Stentor Network). As issues in resale and enhanced services have put tremendous pressure on established

rates, so too will they to put pressure on residential telecommunications users. One final point in this regard.

Some might argue that the resale case, in its direct involvement of the central state apparatus (Cabinet), on the behalf of one single company (Call-Net), illustrates a central problem for Poulantzas' theory and structural views of elite/state relationships in general. For example, one might argue that the notion of relative autonomy and the idea that the state works in the interests of the long run interests of the dominant bloc of capital as a whole, are challenged by the Cabinet's intercessions on behalf of Call-Net. I would argue however, that the Call-Net case affirms Poulantzas' view of relative autonomy and the notion of the state acting on behalf of the dominant bloc. In answering Call-Net's plea, and those of its chief lobbyist, Charles Dalfen, the Cabinet was expressing support for the dominant bloc [shown above to support Call-Net for a variety of reasons]. In Mosco's terms, Call-Net was a "stalking horse" for the major users in the effort to open resale. The support of the cabinet for Call-Net reaffirms theoretical insights about the state/capital relationship expressed in Chapter Three far more than it challenges them. Let us turn now to the specifics of the MTS/WATS competition case to understand these changes in more detail.

C H A P T E R S I X

COMPETITION IN BASIC LONG DISTANCE VOICE SERVICES

In countries where telephone competition has strongly progressed as in the US, UK and Japan, the common driving force has been the needs of large corporate users. It is inevitable that the benefits of liberalization flow principally in the first place to large users, businesses with intensive telecommunications needs (Michael Beesley, Professor of Economics, London Business School speaking at Financial Post Conference, Toronto, May 2, 1990 cited in Telecommunications Worker's Union, Winter 1990:1).

(Professor Beesley was hired by Unitel to help with their application to introduce competition to the Canadian long distance market).

(i) Introduction

Most of the vital issues concerning change in modern telecommunications, including those regarding restructuring and continentalization, have come to the fore in the debate concerning the introduction of resale, sharing, VANS and enhanced services. These same issues have simultaneously emerged on a parallel frontier along the terrain of struggle which characterizes Canadian telecommunication and regulatory policy. This second front in the struggle towards more American style networks and regulatory frameworks has encompassed the spectrum of issues involving basic long distance voice services--the MTS (message toll service)/WATS

(wide area telephone service) public long distance voice network. The preceding resale and enhanced services case revealed the central players, stakes and issues as well as the arenas where the state attempts to manage class conflict in Canadian telecommunications. This chapter on MTS/WATS competition elaborates similar developments that have taken place in basic long distance voice services. It attempts to develop central themes further by way of an assessment of the changes to policy on average Canadian telecommunications users. This analysis compliments the assessment of winners and losers from the previous chapter by advancing our understanding of the ways in which MTS/WATS competition, like competitive resale and enhanced services, places a heavy burden on the average telecommunications consumer. The working class in Canada is very important in this analysis. By working class I mean both workers in the industry as "producers" of telecommunications products and services, and working class people as average household consumers of telecommunications products and services.

The emergence of telecommunications costs as a central concern of business in the 1970's soon brought demands for cheaper long distance services. CNCP stood ready to compete for the lucrative long distance market, and user organizations rallied to their support. Lined up against

this powerful bloc of user groups and CNCP have been Bell Canada and its partners in the Stentor consortium, several provincial governments [currently led by Ontario and Saskatchewan], and groups of household and small business consumers including the National Anti Poverty Organization (NAPO), the Public Interest Advocacy Center (PIAC), Rural Dignity of Canada (RDC), and the British Columbia Old Age Pensioners Organization (B.C. OAPO). Telecommunications workers, led by the Communications Workers of Canada (CWC) and the Telecommunications Workers Union (TWU), have also struggled for more democratic changes to the system. The governments of Saskatchewan and Ontario presently contribute to this side of the debate by voicing concerns for average telecommunications users. At stake, as we will see from a review of similar events in the United States, may be long held values such as universality and affordable access for all residential users.

For some time, the Canadian telephone industry has been characterized by regional telephone monopolies in public, switched network voice services, a national monopoly in public message telegraph (CNCP/Unitel), and a duopoly in most other services including private line voice service, data and video transmission services (Globerman, 1986:5) At the end of the 1970's, 87.6 percent of the Canadian telephone market

was controlled by members of the Stentor network. Stentor is a consortium of all the major telephone companies in Canada who operate the public switched voice long distance network. Bell Canada is the dominant company in the group, owning 55 percent of all telephones in operation in Canada, and providing service to the majority of households and businesses in Ontario and Quebec (Mosco and Pike, 1986:19). Stentor was originally formed in 1932 as the Trans-Canada Telephone System (TCTS), as a vehicle through which the dominant telephone monopolies in each province, later joined by Telesat's satellite technology, co-ordinate their monopoly in long distance voice services, determine revenue sharing agreements for long distance toll traffic (in areas where this is not done by a federal or provincial regulator), and agree on common standards, practices and technology for the vast majority of telephones in operation in Canada (Woodrow and Woodside, 1986:31). At the time of this writing [June 1992] only Stentor members can, as yet, provide switched voice-message service in Canada. The pending decision on Unitel and B.C.Rail-Lightel-Call-Net will probably change this pattern by allowing Unitel to compete in some capacity with Stentor members.

Aside from Stentor, other Canadian telephone companies (including Edmonton Telephones, Telebec, Ontario Northland

Tel and various other small independent companies), hold a combined total of approximately 7-8 percent of Canadian telephone revenue (CRTC data in Surtees, January 29, 1992:B3). Unitel Telecommunications, Teleglobe Canada, and the Radio Common Carriers (including cellular mobile radio-telephone), hold the remaining 6 - 7 percent of Canadian telephone revenue (Ibid). Although Unitel likes to portray itself as a rather small competitor locked in a David vs. Goliath battle with Bell, its parent companies, CP and Rogers hold over \$21 billion dollars in assets (Communications Workers of Canada, Factsheet Number four, 1991). Stentor's membership is listed in Table 6-1 below.

In the most simple terms, the Canadian telecommunications industry has traditionally been divided between two major carriers: (1) the traditional telephone industry (which provides all local and long distance publicly switched voice traffic), and a number of private telecommunications services to large organizations; and, (2) the specialized common carriers (SCC's). The SCC's include Teleglobe Canada (Canada's international telephone carrier, formerly COTC), CNCP/Unitel Telecommunications (the traditional telegraph and private services company), and Telesat Canada (the national satellite carrier). Canada's telecommunications system has long been one of monopoly over

most long distance services, and competition in private services to large organizations such as corporations or government offices.

Two convergences are central to the contemporary telephone debate in Canada: (1) The convergence of computerized telecommunications technology and services with the traditional telephone [enhanced services], and (2) The convergence of telecommunications technology with strategies of powerful multinational corporations for crisis

Table 6-1

Stentor Members, Operating Revenues and Lines in Service.

	Operating Revenue Revenue (000's)	Total Lines in service (000's)
Bell Canada	\$7,328	8,504
BC Tel	1,712	1,658
AGT	1,175	1,603
Sasktel	574	553
MTS	537	585
MT&T	443	473
NB Tel	324	377
Nfld Tel	257	230
Quebec-Tel*	223	249
Telesat	178	n/a
Island Tel	51	63
<u>Total</u>	12,803	13,755

* associate member of Stentor

Source: CRTC data in Surtees, January 29, 1992:B3.

management during the past two decades. Chapters Four and Five have provided us with an indication of the corporate effort to reshape telecommunications policy since the early 1970's, when capital really began to focus its attention on information as a valuable commodity and telecommunications as a valuable resource. For two decades the corporate order has sustained a unified effort to maximize telecommunications efficiency in the information age. The same corporate demands that brought resale and enhanced services onto the Canadian telecommunications agenda, have worked to see competition legalized in all aspects of long distance communications, enhanced and basic services. Central to this effort has been a re-evaluation of the traditional role of the telephone and its costs. Gains in competitive enhanced services, alongside pressures from a highly deregulated and competitive U.S. market put further pressure on Canadian regulators to open up the Canadian long distance market to some sort of competitive arrangement.

For some time it had been accepted by regulators in both the United States and Canada that a system of "cross subsidies" has existed in the telephone industry whereby users of long distance pay an amount in excess of the actual cost to the telephone companies for providing the service. This excess has been used to finance the goal for universal

service and affordable local service to households. Today, [as we saw in Chapter One] both critical and administrative researchers acknowledge that government and regulators have accepted the traditional cross subsidy argument (See Stanbury et al, 1986 and Mosco, 1989). Bell Canada data gives us a good indication of the extent of this alleged cross subsidy. In 1982, Bell Canada reported that it cost the company 32 cents to generate one dollar in long distance revenue. Conversely, it cost the company \$1.93 to earn one dollar from local (monthly flat rate) charges (Bell Canada data in Woodrow and Woodside, 1986:224). As Bell Canada describes the system of cross-subsidy:

Basic local service is priced low in Canada because it is subsidized by long distance service revenues. Currently in Bell Canada the cross-subsidy is more than \$2 billion a year (Bell Canada Factsheet, Evidence to CRTC in response to CRTC public Notice 1990-73).

As of May 1990, Bell President Jean Monty stressed that "65 percent of Bell's total long-distance revenue is used to support basic regulated rates. That is a result of government policy to develop universal access to the telephone network among Canadians" (Monty in Ravensbergen, May 18, 1990:D5). From the evidence presented at the current Unitel-BCRL hearings in response to CRTC Public Notice 1990-73, both Unitel and BCRL propose to contribute significantly less of their revenues to the cross subsidy pool (see figure

... reduction in the cross subsidy and ... balancing will mean that residential ... benefit from as much of a cross- ... local rates will rise. Bell argues ... the idea of offering less cross

Figure 6-1.

Subsidy to Local Service in Canada

Adapted from Bell Canada Factsheet 11-1991 2348
 Bell Canada Evidence in response to CRTC Public
 Notice 1990-73

subsidy and bearing less entry costs as suggested in the evidence of Unitel and BCRL:

If Unitel were required to subsidize local service at the same rate as Bell, and to bear the start-up costs of entry, its profits would vanish and the Net Present Value of its business case would be about negative \$3 billion (Ibid).

When issues of competition began to gather momentum in the mid 1980's, large corporate users were the telephone companies' main long distance users. For instance, in British Columbia in 1984, the top five percent of business users accounted for over seventy five percent of all toll service usage (Memorandum of Evidence, Interexchange Competition and Related Issues, CRTC, April 30, 1984, Appendix One). Bell Canada and B.C. Tel, Canada's two largest telephone companies, reported to the CRTC that twenty percent of their business customers provided about 89 percent of all long distance revenues for 1984. In New Brunswick, the top twenty companies alone generate 32 percent of all long distance revenues (Janisch, 1986:361). Overall in Canada, only 5 per cent of all business users account for over 40 per cent of all long distance revenue (Canada, [Mongeau Task Force Report], 1986:47). When large corporate users of the telephone sought to lessen telecommunications costs, this cross subsidy was among the first things to be attacked. It became tautological for these groups to argue

that competition would see the end of this cross subsidy and the reduction of business long distance telecommunications costs.

(see below, section iv).

Since such a relatively small number of corporate users account for such a significant portion of all toll service, they provide an attractive target for a company like Unitel that desires to enter the public switched long distance voice market. In the United States, MCI Communication spearheaded the attack on the dominant long distance company, AT&T, along with the support of some of AT&T's oldest and largest corporate clients. At FCC hearings, the American Petroleum Institute, National Retail Merchants Association, National Manufacturers Association, Business Equipment Manufacturers Association, Association of Data Processing Service Organizations, and many other large user groups all appeared on behalf of MCI in its effort to offer competitive service to AT&T (Schiller, 1982). In Canada, Unitel Communications has had similar success in attracting the interest and backing of Stentor clients.

Alongside issues of resale and enhanced services, the long-distance debate has dominated much of the CRTC case-load since 1977. At that time Unitel [then CNCP Telecommunications] and Stentor's [then Telecom Canada] major

users brought their first challenge to Bell Canada and the Telecom Canada network for the introduction of competitive services. In this case CNCP won the right to fully compete in private line services to major users. The public switched network was to remain a Bell-Telecom Canada monopoly (CRTC, Telecom-Decision 1979-11). 1979-11 gave the challengers some hope for the future as major users like the Canadian Industrial Communications Assembly (CICA) pressed ahead with their challenge:

The CICA will fight the telephone companies of the newly formed Telecom Canada every step of the way if they persist in filing rate structures that are anti-competitive (Peter Godfrey, Chair, Canadian Industrial Communications Alliance in Chevreau, September 16, 1983:B13).

This second challenge, one that included an effort to open up the whole Canadian telephone network to competitive services, was mounted by CNCP and the user groups in 1983. The effort failed, as CRTC Decision 1985-19 argued that CNCP was not sufficiently capitalized to be able to guarantee claims about universality within ten years.

The Commission is of the view that the granting of CNCP's application would not yield the anticipated benefits to a significant extent throughout the territories served by Bell and B.C Tel. In particular, the Commission is not convinced that CNCP would be able to meet its commitment to provide universal service and to offer price discounts in the order of magnitude in its business plan. In arriving at this conclusion, the Commission has carefully assessed the evidence relating to whether CNCP is financially able to

offer the proposed services while, making contribution payments toward the recovery of access costs, equivalent to those of Bell and B.C. Tel (CRTC Telecom Decision 1985-19:44-45).

By 1985 the CRTC's concern for the public service concept of regulation had largely succumbed to the forces of big business and competition. The CRTC, although able to decline CNCP's application, did record that it believed competition in long distance voice services would "have a positive impact on the Canadian economy as a whole" (Ibid:44). This decision was a loss for CNCP but a major victory for pro-competitive forces. CNCP and the major users were merely being told to come back with a stronger case and that is what the present case (Telecom Notice 1990-73) is all about.

The third (current) challenge to this public service sentiment in long distance voice services was mounted in the late 1980's [with the CRTC's decision pending at the time of this writing]. In order to gain an appreciation for what is at stake in the long distance debate consider the following hearing statistics: The cost of the CRTC hearing is about \$18,000 per hour. Unitel has a core team of 40 people working full-time on the case, while Bell's team is estimated at between 60 and 80 people. Unitel's direct costs will total more than \$7 million, including \$3.2 million for staff, \$1.4 million for outside lawyers and consultants, and \$1 million for expert studies (Urlocker, May 06, 1991:9).

The eventual outcome of this case may not be nearly as important to our discussion as some of the changes in the policy and strategy of Bell Canada and its users groups during the past decade. Specifically, in regard to competition and rate restructuring, Bell, its competitors and the major users have evolved new strategies to cope with the future, regardless of whether or not the CRTC throws the whole network open to competition. Before examining the specific details of the telephone debate in Canada, it is important to assess the emergence of these issues in the United States, some years before they emerged in Canadian public policy.

(ii) Developments in the United States: A Prelude To The Importation of American Long Distance Telephony Policy

George Harvey, President and CEO of Unitel, has offered the following appraisal of competition in telecommunications:

Telecommunications is a strategic industry, critical to our future. We need a competitive telecommunications environment and we need it now. The benefits of competition are: lower long distance rates; increased Canadian competitiveness; creation of new jobs; increased efficiency; an increase in research and development spending; and better choice and quality of telecommunications services for all Canadians (Harvey, in Unitel Factsheet, response to CRTC Public Notice 1990-73:2).

In order to understand the validity of Harvey's remarks we

must turn our attention southward to the experiences of Americans with telephone competition over the past ten years. Following such an assessment, we will be better able to understand the likely outcome of similar policy initiatives in Canada.

Until the early 1970's the United States' common carrier communications system was dominated by the regional monopolies of the Bell Telephone system and its parent (holding) company, AT&T. This network was not that dissimilar, except in terms of actual ownership, from the Bell Canada-Telecom Canada system in Canada. A central unified monopoly existed as a public service utility, with cross subsidy patterns similar to those in Canada. Independent telephone companies were in operation, of which the most important were General Telephone and Electronics (GTE), Continental Telephone, United Utilities, and Mid-Continent Telephone. AT&T long lines supplied virtually all of the interstate telephone service within the United States and between the United States and other countries (Irwin and Trebing, 1973:216).

But many had become dissatisfied with the phone company and readily accepted the claims of users that competition would benefit American society. Leading consumer advocate Ralph Nader was among those to champion the cause of

competition. In the early 1970's Nader argued that competition would result in lower costs for everyone. Today Mr. Nader acknowledges that "price competition in the U.S. has been replaced by expensive advertising campaigns". He is now a vocal advocate against deregulation (Mac Williamson, February 25, 1991:1-8).

To hear large users tell the story, one is led to believe that American experiences with telecommunications change has been a painless affair:

If we can learn from experience, it is clear that where competition has been introduced...business users of telecommunications as well as consumers have benefited from increased variety and choice ...We believe that in the debate on full competition which now appears to be on the horizon, if all parties are properly consulted, there can be no losers--only winners (Jean-Charles Rouher, Secretary General, International Chamber of Commerce cited in Unitel, December, 1991:1).

By the middle of the 1980's the American system had been so radically restructured that over 300 long lines communication firms (including resellers) were in operation. (Globerman, 1986:5). Telephone welfare programs and local measured service programs were in place to publicly subsidize universality goals, and corporations were experiencing significantly lower telecommunications costs while residential users were experiencing significant rate increases. The regulatory decisions that accelerated these changes have been dealt with in rich detail by Daniel

Schiller in his 1982 book Telematics and Government. As such, there is no need to digress into the many details of these cases in the present text. More relevant to our concern is to illustrate the scope and nature of the changes and their impact, in light of current efforts to restructure Canadian telecommunications.

Following the FCC's 1977 Execunet Decision and the divestiture of AT&T's Bell Operating Companies in the early 1980's, the American long distance telephone market was completely open to competition. Other common carriers such as MCI and GTE acted decisively during these years. By 1980 the competitive common carriers accounted for about 20 per cent of the United States market (Telecommunications in Transition, Report of the Majority Staff of the Subcommittee on Telecommunications, United States House of Representatives, 1987:91-92). By 1984, other common carriers served 46 percent of all US businesses that spend more than fifty dollars per month on long distance. These carriers also served over 10 per cent of all households that spent more than twenty-five dollars per month on long distance (Industry Surveys: Telecommunications, February 16, 1984:T15-23). By 1985 AT&T's share of the total long distance market in the United States fell below the 90 percent mark for the first time (United States: FCC, April 2, 1984:26). Since

that time the other common carriers have continued to target the most lucrative of AT&T's old markets, reducing AT&T's share to below 67 per cent of the market in 1991 (Business Week, April 23, 1990:30).

Since 1978 over 600,000 business users have switched some or all of their long distance telecommunications activity away from AT&T to one of its emerging competitors. When we consider that just 25 major companies in the United States accounted for 15 per cent of the total American long distance market in 1985, the significance of the loss of even a few of these large clients becomes immediately evident (Janisch, 1986:337-338).

Well before competition was introduced, AT&T warned that rate restructuring would soon have to follow. AT&T could not stand by in a competitive marketplace and watch its best clients be taken away by "cream skimming" competitors, while AT&T was left to provide universal service. Regulators in the United States were anxious to promote competition and rate restructuring. AT&T and the divested regional operating companies (RBOC's) were relieved of some of their public utility obligations in the eyes of regulators, as they were allowed to adjust prices to meet the demands of the market place. Clearly, concerns for universality and affordability had become secondary, as the regulators of the 1980's had

been convinced that competition and deregulation were the most important aspects of telecommunications policy in the United States. Speaking on the Modification of Final Judgement that settled the AT&T divestiture and officially signalled the beginning of national competition in U.S. long distance voice services, FCC Chairperson Mark Fowler expressed his hope that "in the long term, the decree will make it easier to deregulate large segments of the telecommunications industry" (in Schiller, 1982:92).

Today, despite the existence of hundreds of small carriers and resellers, the American long distance telephone market is dominated by three companies, AT&T, MCI and GTE. The American telecommunications market now stands at \$55 billion, increasing at a rate of 13 percent per annum. AT&T maintains more than two-thirds of the market. MCI has made a concentrated effort to woo AT&T's biggest customers. In 1989 MCI won all of Chrysler's business as well as a five-year \$150 million deal with Merrill Lynch. MCI now holds about 12 percent of the United States market. GTE Sprint has captured the business of Sears, Zenith and Banker's Trust along with 40 percent of the \$25 billion, ten-year contract to modernize the federal government's telephone system [AT&T has the balance]. GTE now owns about 8 percent of the long-distance telecommunications market in the United States (C. Work,

1990:43ff). Some argue that after years of limited competition, the big three are now acting like a "three-man-band". A Business Week article has recently accused the big three telephone companies of cooperating to end price wars that were hurting all three: "customers can kiss those price wars good-bye" (April 23, 1990:30).

Years of rate restructuring and pro-competitive policy initiatives have at best achieved a telephone oligopoly to replace the old long distance monopoly. The winners and losers from these changes are strikingly clear. Competition and rate restructuring in a time where the market plays a key role in regulation, have resulted in a telephone system that is increasingly expensive for household users and substantially less expensive for corporate clients. User groups have employed the telecommunications policy process in the United States to achieve a de-facto redistribution of income from America's least wealthy telephone users towards its most affluent corporate clients. The FCC released data in 1991 revealing that long distance charges in the United States had declined 40 per cent (controlling for inflation), while non-toll, local usage charges had risen 35 percent. As corporate telephone bills are almost entirely long distance, while the bulk of local calls are made by residential users, large corporate clients were the winners of the policy to

promote competition and rate restructuring. (United States FCC: January 1991:367-369). AT&T data for 1984 revealed that 50 percent of all residential customers in the United States incurred less than three dollars per month in toll charges [80 percent incurred less than ten dollars per month] (Kimmelman and Cooper, 1988:26). Rate reductions have had a dramatic impact on American residential telecommunications consumers. According to Peter S. Fischer of the University of Iowa's Regional and Urban Planning Department, there is a systematic bias in the new telephone pricing policies. They now favour more than ever, those who are more mobile, and have more income, and hence have more choices regarding consumption, and against those whose income or social position leaves them with fewer alternatives and with large portions of their incomes going to basic goods and services (telephone interview of February 16, 1992).

Among residential users the most significantly affected group has been low income families and the poor. Data from the United States General Accounting Office reveals that 25 percent of Americans living below the poverty line did not have a telephone in 1986 (U.S. GAO, 1987 in Mosco, 1989:11). For people at this end of the income distribution scale, it is highly significant that the 1980's, the decade of the move to oligopoly, was the first decade since the 1930's during

which America did not experience a rise in the percentage of universal service achieved (see table 6-2).

Between 1981 and 1984 telephone charges rose between 6 and 9 per cent nationwide for the poorest one-fifth of the American population (Cooper, 1987:1ff). In the middle of the 1960's both Canada and the United States had achieved 92 per cent of universal distribution of the telephone to American households. After a rise in the 1970's, the penetration of the telephone in America has leveled off at 92 percent at the close of the 1980's. In Canada, where the public service concept has remained relatively intact in the face of mounting corporate pressures for its replacement with an American style of market regulation, 98 per cent universality was achieved over this same time period (Bell Canada, July 1990:4).

Some have attempted to portray a positive picture of this period of change in the United States:

The search for competitive advantage has caused price reductions, increased innovation, and an intense attention to customer needs. The FCC has continued to provide special protection for the residential customer dependent on MTS service while allowing most prices to be set by market forces (Gerald W. Brock, On behalf of Unitel to CRTC, Response to CRTC Telecom Notice 1990-73, In Unitel, 1991c:7).

The reality of these "special protection" programs is telephone welfare.

As oligopoly replaced monopoly in telephony in the United States during the 1980's, traditional rate structures were revised. Oligopoly meant that AT&T lost some of its biggest clients and the cross subsidy, geared to the era of the public service concept of regulation, was forced to give

Table 6-2

Telephone Penetration Rates in Canada and The United States

	Canada	United States
Income less than \$10,000 (Canadian)	93.8%	78.6%
People receiving social assistance	96.3%	73.6%
Head of household under age 26	95.7%	81.6%
Head has less than 9 years education	97.3%	86.1%
No income earners in household	96.9%	90.2%

Source: Bell Canada, July 1990, in CRTC Telecom Notice 1991-73:3)

way to schemes placing telephone prices (local and long distance), closer to their actual costs. The victory of the corporate telephone user groups before the regulators meant that the telephone companies offering local service had to recoup this lost revenue from other users. The 35 per cent

increase in local rates that followed oligopoly threatened to force many low income earners off the national telephone system. State legislators were subjected to increasing demands to respond to this new challenge in American telephony. Some states, such as California, have introduced telephone welfare schemes to help low income earners maintain a telephone in their home. These programs are often given euphemistic titles such as "Lifeline" and "Link Up America" to conceal their welfare nature. The telephone welfare subsidy scheme in the State of California was in excess of \$150 M to the end of 1986. In 1989, California was administering a Lifeline program for over 1,250,000 customers. To the beginning of 1991, 49 state governments as well as the United States Federal Government operated numerous subsidy programs. Only between three and four percent of eligible Link Up America subscribers and 32 percent of eligible Lifeline subscribers have enrolled in these two programs. As Mosco has put it: "telephone welfare has followed a pattern common to social assistance programs--a fraction of those eligible are reached..." (Mosco, evidence to CRTC in response to CRTC Telecom Notice, 1991-73:5).

During the 1970's many, including MCI and the large user groups, argued that competition would encourage a higher level of American investment in telecommunications, which was

seen as vital to American interests entering the information age. (Schiller, 1982). This argument has been repeated many times in Canada during the long distance competition debate (see Stanbury et. al. 1986). Competition has not contributed to the relative strength of U.S. investment in telecommunications, no doubt caused by the investment restraints imposed on firms due to the increased cost of doing business in the oligopolistic American communications environment. American telephone companies invested less per access line in 1989 than they did at the time of divestment in 1984. The 1989 average was less than that of Canada, Japan and West Germany (Davidson, 1990 in Mosco, March, 1991:7). Jonathan Weber has argued that American policy makers have put American firms in a disadvantageous position in the long run in their effort to respond to the demands of market forces in the short term. Weber argues that France, West Germany, Singapore and other countries are pulling ahead of the United States in the area of important infrastructural developments such as ISDN. As in the United Kingdom, telephone companies are avoiding a national system as they attempt to "cream-skim" in only the most lucrative metropolitan areas (Weber, 1989:44).

In order to gain a clearer picture of the impact of changes on average American telecommunications users, it is

useful at this point to look at a typical U.S. telephone bill in the post-divestiture period (see Figure 6-2). There are several features of interest to the Canadian residential user in this U.S. bill.

Figure 6-2
Pacific Bell Telephone Bill: February 5, 1988

Regulated Monthly Charges and Credits	Basic Service	
	Flat Rate Service	\$8.25
	Optional Services	
	Touchtone service	1.20
	Unlisted Telephone Service	.30
	Call waiting	3.50
	Monthly Service Feb 5 thru Mar 4, 1988	\$13.25
	Charges for Network Access for inter- state calling	2.60
	Directory Assistance 411	
	5 calls--no charge, 2 extra calls	.50
	Universal Service Surcharge	1.60
	Rate Surcharge	.11
	State regulatory fee	.06
	Communications funds for deaf/ disabled	.10
	Tax: Federal	1.80
	911	.30
	Local calls	3.00
	Late charge on \$66.21 unpaid to Feb 8	.99
Regulated Monthly charges and Credits subtotal		\$24.17

Source: Johnston, March 10, 1988:A1,A8).

Note how, as Unitel and BCRL claim, the "basic service"

charge remains very reasonable. However, what has changed is what you get for the basic fee. Note that the above customer is now paying \$2.60 for network access (that alone represents an increase to the bill of 30 percent, just for basic access to the national network). Prior to deregulation, such charges were all part of the basic service charge. Note also that this customer pays a "universal service surcharge", the funds from which subsidize deregulation era telephone welfare programs such as Lifeline or Link up America. The customer is also limited to free directory enquiries in many areas--in the above case, five per month. Local calling is no longer free. This customer paid \$3.00 for local calls that Canadians enjoy as part of their monthly flat rate service. In an interview with telecommunications specialist Dan Schiller of San Diego, I was informed that the local calling charge is very significant. In the case of his family, he finds between \$20 and \$40 per month in charges for local calls [zone usage message charges, or ZUMs] that would be provided free as part of the monthly flat rate in Canada (telephone interview with Dan Schiller, February 10, 1992). David Johnston of the Los Angeles Times describes these local charges:

Those who buy the unlimited local calling--the \$8.25 monthly covers calls within a radius of 8 miles --pay Zone Unit Message charges for calls to ZUM 2

(9-12 miles) and ZUM 3 (13-16 miles) from their local exchange ...ZUM charges are much higher than costs. Together ZUM and those toll calls made within PacBell's system generated an extra \$1.1 billion in 1986 that helped hold down the basic rate (Johnston, March 10, 1988:A1, A8).

At present, PacBell is attempting to have state regulators in California increase the monthly flat rate charge by 59.8 percent to \$13.35. This effort would also see the current installation fee of \$34.75 increase 63 percent to \$56.70 (Charles Ross, September 24, 1992:A1,A3). Sam Simon of the Telecommunications Research Action Centre in Washington says that the imposition of a \$6 per line access charge to people in his area has virtually wiped out any potential gains to small businesses from cheaper long distance rates. Simon told me that his data revealed that 86 percent of United States businesses make less than \$50 per month worth of long distance. "If you own a small business with eight telephone lines you are losing \$4 per month" (telephone interview of February 9, 1992). FCC data reveals that subscriber line charges rose 350 percent between 1985 and 1989. The average residential telephone bill in the United States increased from \$11.58 in 1983 to \$17.54 in 1989 (more than 50 percent) (FCC, Monitoring Report, C.C. Docket No. 87-339, July 1990:30).

Events in the United States illustrate that when the public service concept is undermined, universality failed to

rise, AT&T and the new oligopoly competitors continue to reap healthy profits, large users win and the working class, as both producers and consumers, lose. A system geared to universality and public service was broken down within a decade and replaced with one favouring market conditions and lower corporate telephone bills. Telephone company workers have also been affected by these changes. Since the end of 1981, the shift towards increased market regulation and duopoly have been paralleled by a decline in employment among telecommunications workers from 1,234,000 to 1,030,700. After 40,000 workers are subtracted from this total (who were reclassified under the U.S. Bureau of Statistics' new system), there was a net decline of 164,100 telecommunications workers during this period (see Mosco, December 1990:16-17). Reporting on the actions of the RBOC's towards striking employees, U.S. News and World Report said:

The Baby Bells have reason to feel bold. The seven firms...earned profits last year of \$8.4 billion. ...Two months ago AT&T averted a strike by agreeing to an innovative family health-care package. But the regional firms are taking a tough line on health care costs: "To compete in future markets, they have to be more competitive in labour costs" predicts Professor Wallace Hendricks, a University of Illinois telecommunications scholar: "They are going to get meaner and leaner" (U.S. News and World Report, August 21, 1989:18).

Mosco has captured the essence of the impact of policy changes on American workers in the decade of deregulation:

One can identify many reasons for the loss of jobs in the industry, but deregulation has, at the very least, accelerated the process of job loss in the telecom industry. While employment in Canadian telecom remained stable in the 1980's, it dropped 23.6 percent in the United States from 1,007,300 to 823,000 since 1981. Deregulation has accelerated the deployment of technologies that replaced workers and new competitors kept out unions to keep labour costs low. Moreover, unionized companies like AT&T used the threat of competition to eliminate many of the protections that workers enjoyed (Mosco, December, 1990:17).

Overall, the Communications Workers Union of America reports that in telecommunications manufacturing, employment has declined by 57 percent since 1981 (CWA, March 1990). In an effort to compete with MCI and Sprint for the large volume long distance users, AT&T cut 25,000 jobs in 1989 and another 25,000 in 1990. The company is focussing on automation with a short-term deadline of \$900 million dollars in savings to key customers by 1993 (see Work, March 16, 1990:43).

According to Fred Pomeroy, national president of the Communications and Electrical Workers of Canada, a Canadian based multinational subsidiary of Bell Canada, Northern Telecom, has taken a very strong anti-union stance at its American production facilities. According to Pomeroy: "Northern now has a policy of trying to run union free everywhere they can get away with it. And they go to great lengths to try to get away with it" (Pomeroy, 1991:92).

Larry Cohen, director of organization for the Communications

Workers of America, corroborates Pomeroy's view noting that the overall rate of unionizations in the United States has fallen from 35 to 10 percent in the private sector.

According to Cohen, the rate of unionization may fall below 5 percent by the year 2000 due not to the failure of organizers but rather to the corporate led de-unionization by major American employers. Cohen argues that the telecommunications sector has led in this effort:

In our own union, the CWA, we face this constantly with AT&T, which is our largest employer with 15 percent of our members. AT&T revenues and profits are increasing, yet there have been massive job cuts and the movement of capital from union to unorganized enterprises in the U.S. as well as Mexico and Asia (Cohen, 1991:87).

Aside from job losses and higher local charges, Americans are falling behind the international community in the spread of new technology across the population base. One striking case involves video-tex technology. The New Republic reports that in France, by 1987, more than two and one half million homes had joined the country's video-tex network "Minitel" [a computer screen and keyboard attached to the telephone system allowing users to look up telephone numbers, check their bank balance, make blind dates, shop or find a job among other services] Minitel. The New Republic reported that, due to the settlement of the AT&T divestiture the Regional Bell Operating Companies (RBOC's) or "Baby Bells"

can enjoy a monopoly in local service but may not enter long distance or information services. As video-tex represents an information service, the Baby Bells cannot offer it to their customers and millions of Americans are being excluded from the introduction of videotex technology (New Republic, January 26., 1987:4-7). Large private firms may proceed with private video-tex networks while large segments of the population are denied this right. The federal state apparatus is still trying to resolve this mess caused by the divestiture of AT&T as of June 1992.

Such realities have prompted many in the United States to question "whose information revolution is it"? Among them is Mark L. Goldstein, a telecommunication analyst, who argues that the case pointed to above by the New Republic illustrates how changes to the American system have actually impeded the development of both competition and new technologies on a widespread basis. While the corporate order enjoys rate reductions and new services, "pundits claim that American consumers are being denied computer based services such as voice mail, database access, and smart phones the many large corporations enjoy regularly" (Goldstein, March 9, 1987:51).

These realities have caused the change to the American telephone system in the 1980's to become one of the most

unpopular deregulatory moves ever taken by the United States government. The Competitive Edge reports that 59 percent of respondents polled in the United States said changes were bad

Customer complaints and confusion are at an all-time high...Service isn't the only problem. Since the break-up, American telephone subscribers have seen lower long distance rates offset by higher fees for local service. Competition in the long distance business has reduced rates 20 percent or \$4 billion, but rates for local service jumped nearly 35 percent or \$6 billion. Overall, a typical bill is up 25 percent...the majority of customers do not believe it has worked out for the best (Competitive Edge, Number 127, July 31, 1987 cited in Telecommunications Workers Union, January 1988: 5-6).

British experiences with telephone duopoly and rate restructuring are also relevant to the current policy struggle in Canada. The telephone duopoly between the established carrier British Telephones (BT) and Mercury Communications began in 1983 following the privatization of BT. Since this time British network operators have followed the American path of changing their strategy from the concept of universal service. The new telecommunications environment forces companies to satisfy the hierarchy of large business users and metropolitan areas, at the expense of less urbanized and less industrialized areas.

A new regulatory agency, Oftel, with a decided preference for corporate communications needs was created following the restructuring. Oftel has supported rate

rebalancing measures designed to lower corporate long distance rates and see local usage rates increase for households:

Clear arguments exist to support the case for rebalancing. If BT charges prices in excess of costs for some aspects of its business, there is little it can do to avoid substantial loss of this business to the competitor. Furthermore, charging artificially high prices for long distance telephone calls is undesirable in itself. This practice...would put unnecessary burden on businesses which are the heavy users of long distance telephony (OfTel Annual Report, 1989, Section 1.8 in Hills, 1991:10).

As a result of the introduction of competition in British long distance telephony and regulatory concerns for the needs of the wealthiest users of the system, local calling in the United Kingdom presently has the highest rates in all of Europe (Hills, 1991:11). The differential between the price of a local and a long distance call is now the lowest among OECD countries. Charges for residential service are considerably higher than in Canada (Ibid). In 1990 prices changed more drastically in British telephony than they had for many years. Residential users saw a rate increase of 7.7 percent. Single line business experienced an increase of 3.5 percent. Businesses with between two and ten lines experienced an increase of only 0.8 per cent, while businesses with more than twenty-one lines experienced a reduction in rates of 0.1 per cent (Ibid).

According to Hills:

...to rent a telephone and gain access to the network [in the UK] now costs 35% more than it did prior to liberalization in 1982...technology itself does not create the pressure, rather it has been introduced by new actors such as IBM into the traditional telecommunications market...Liberalization of both the domestic network and the international network is a mechanism for transferring fixed costs from multinational and large business to small business and residential users...Liberalization and privatization are mechanisms used by governments for redistributing economic benefits between different categories of telephone network users and potential users (Hills, 1989b:163-65).

Since investment can now only be "market-led", only investment that can turn a profit is made by BT and Mercury. Rural users have been the big losers here, since the duopolists favour upgrading only the most lucrative urban areas with state of the art technology. Low income districts throughout the United Kingdom will continue to be left out of the revolutionary advances in ISDN made under this format of market driven investment (Ibid). Under the original public service concept of regulation, BT would have been responsible for seeing that all Britons had the opportunity for access to the latest technology. Now the corporate class and market forces greatly determine who gets what in British telephone service. The result is a largely private ISDN network for Britain rather than one by and for public use. While these changes were underway, Mercury managed to capture only between five and six per cent of the UK telephone market in

eight years. Despite promises to the contrary a decade ago, Mercury continues to cream skim from BT's most lucrative customer base, with 60 per cent of all Mercury profits deriving from international calls. As Colin Long, a telecommunications expert of the London law firm of Beharrell Thompson and Co. notes, Mercury has avoided outlying areas, instead choosing to focus on more lucrative long-distance and international markets:

Mercury has made its biggest impact in the long-distance and international voice services markets and has adopted a policy of expanding its network nationally. Mercury has introduced a number of new services such as itemized billing. One team of analysts has predicted that their market share will reach 10 percent by 1994 (Long, in Unitel 1990c:8).

The underlying ethos that subsidized competition is better than monopoly has led to big business users winning at expense of residential and small business users in the era of duopoly and rate restructuring in British telephony (Ibid). According to Hills, such liberalization of the public voice networks in other EEC countries is not being contemplated at present. Most EEC countries have opted for a structure which has liberalized services other than voice, as in the case of data networks. These countries have assumed that it is simply more intelligent social policy to maintain a public service concept for long distance voice service in order to maintain universality and affordability for the bulk

of the population (Ibid:21).

(iii) Getting MTS/WATS Competition On The Agenda In Canada

When one examines the records of proceedings and hearings before the CRTC and its forerunner the CTC for the past thirty years, one change is distinctly conspicuous. After the middle of the 1970's private sector intervenors, grouped together as user, provider and supplier organizations, played a much more significant role in the policy process. Prior to 1975 private sector intervenors played a very limited role in regulatory hearings. When the CRTC was given jurisdiction over telecommunications in 1976 it replaced the CTC's judicial approach with a policy approach. This allowed for evidence to be garnered by the commission from all interested parties, especially as these could shed light on the long term policy implications of regulatory decisions (interview with former CRTC chairperson John Meisel, April, 1990). In 1985 for example, over forty large users of telecommunications technology offered written and spoken interventions before the CRTC in the matter of CNCP's bid to compete in long distance voice service (CRTC, Decision 1985-19). Representing dozens of powerful corporations, these organizations include the Competitive Communications Coalition (CCC), the Canadian Association of

Data Processing Service Organizations (CADAPSO), the Information Technology Association of Canada (ITAC), the Association of Competitive Telecommunications Suppliers (ACTS), the Canadian Industrial Communications Assembly (CICA), the Canadian Business Telecommunications Alliance (CBTA), the Canadian Bankers Association (CBA), the Canadian Manufacturers Association (CMA) and dozens of other interest association representing various industries. The federal government has consistently represented the interests of the powerful business community asking for competition through its Director of Research and Investigation for the Combines Investigation Act at the Bureau of Competition Policy. Administrative researchers have joined the government and the corporate order in this effort. In response to CRTC Telecom Notice 1990-73 [Unitel's latest competition bid], Stanbury argued that the will of the corporate order and technological imperatives must be heeded by regulators:

The time has come for us to forge a new social contract in telecommunications in Canada--one that reflects the present (and hopefully future) economic and technological realities...Telecommunications markets are being driven toward competition by strong technological and economic forces. Regulators who fail to recognize the new economic realities and technological possibilities in the name of protecting the status quo will ultimately fail in their efforts to dam up the tide of change, and will inflict losses on the economy (Stanbury in Unitel 1991c:5).

In a study done by Robert Olley of the University of

Saskatchewan, the CRTC was called on to heed other concerns, such as those of rural Canadians in his province who would experience rate increases of 167 percent. Olley also pointed out that urban residents of Saskatchewan will pay an increase of 140 percent for local service if competition is allowed (Olley, 1991:38ff). One common point that emerges from the vast majority of these presentations is the belief on the part of the users that CNCP competition with Bell and Telecom Canada members would drive down the price of corporate long distance charges and undoubtedly improve service (Mosco and Pike, 1986:5). Canadian Airlines International Ltd (CAIL), estimated that the company could reduce its communications costs by \$17 million per year if Canada were to adopt United States long-distance rates (Baggaley and McKendry, July 16, 1991:3). Petro Canada has told the CRTC that there are 25 different WATS products in the United States that would be available to the company if it operated there; in Canada there is only one (Ibid:4). The CBTA has commissioned a study on the issue entitled Competition: The Future of Canadian Telecommunications. In this study the CBTA maintains that "Canadian businesses will not be able to take advantage of new technologies which are dependent upon high speed, low cost telecommunications facilities, and international competition will outpace Canadian business"

(CBTA, 1991 cited in Unitel January 1992:2). Canada Post has also offered direct support for Unitel by having the company establish its private line communications between Hamilton and Ottawa. Madgy Makhoulf, manager of Communications Planning and Engineering at Canada Post has said that "we look forward to Unitel continuing to be a key partner in Canada Post's future development" (cited in Unitel, December 1991:2).

Canada Post's remarks are not surprising, given the federal government's support for competition in Telecommunications for a number of years as noted earlier. The Director of the federal government's Bureau of Competition Policy, Howard Weston, has testified before the CRTC on Unitel's behalf:

When you have competition what you get from the process is the dynamic rivalry in the market which forces firms to become more efficient, forces them to become more cost-conscious, to pass those savings on to Canadian consumers who become the ultimate beneficiaries of that kind of rivalry (Weston to CRTC cited in Unitel, May 1991:2).

Apart from the office of the Director, the Department of Communication has voiced its desire for competition in long distance voice services for some time. Paul Racine, Director-General of Telecommunications Policy, speaking to the context of the new Canadian Telecommunications Act has said:

The complex bill has one overriding objective: to establish a national, competitive market for telecommunications services, currently served by a pot-pourri of provincial Crown corporations, regulated monopolies and entrepreneurs. The three main goals of the policy are to ensure there is only one regulator, to open up the Canadian market and to use competition to regulate the market (in Financial Times of Canada, January 29, 1990:5).

Many of the international companies belonging to the large user organizations which have called for such policy initiatives, also belong to the International Telecommunications User Group (INTUG), which played a key role in working to introduce competition into the telecommunications system in the United States (D. Schiller, 1982:121). In Canada, domestic large users have already achieved great success without the CRTC opening competition in this public long distance network. Since 1985, Bell has led the Stentor group in forcing down long distance rates to satisfy the demands of major users. For example, late in 1990 rates for high capacity private line services dropped substantially (as much as 70 percent according to Bell). The cost of a line between Toronto and Vancouver was reduced from \$16,000 to \$4,400. As a Bell fact sheet expresses it: "Bell still has some distance to go in this area but is working hard to achieve U.S. price parity" (Bell Canada Fact Sheet 04-1991 2348, evidence submitted in response to CRTC Public Notice 1990-73). Despite this effort on the part of Bell, large

users still press ahead with demands for competition:

Only competition will drive innovation, drive responsiveness and drive service dedication ...Therefore Unitel's application should be approved now (Communications Competition Coalition cited in Unitel, November, 1991:10).

In its booklet The Long Distance Debate: The Road To Decision, Bell responds directly to the CCC's demands for competition and less regulation by pointing to the cost of services in the United States following such policy initiatives. Bell notes that installation charges in the United States are \$52.00 for residences and \$84.00 for businesses compared to \$28.50 and \$48.00 respectively in Canada. Bell also pointed to overall price changes between 1983 and 1990. For Bell, prices of services dropped 4.8% over this period while those of American companies rose 18.6%. Bell completes its argument by stressing who has borne the burden of paying for change noting that residential monthly flat rates in the United States are \$19.00 compared to \$10.00 for Bell Canada [average cost, Canadian dollars for all of the foregoing Bell data].

The negative impact of efforts to implement U.S.-style prices and regulatory frameworks in Canada are already being felt by average telephone subscribers in Canada. At the Unitel hearings in response to CRTC Public Notice 1990-73 Newfoundland Telephones (a Stentor member), has estimated

that the combined impact of the Bell-B.C-Tel rate reductions we have already experienced, will cause a 70 percent increase to local rates in the next ten years. Maritime Tel and island Tel are predicting respective increases to local rates of 15.5 percent and 17.4 percent over the next five years (Price Waterhouse, July 16, 1991:12).

Elsewhere, SaskTel has already begun an aggressive rate rebalancing program to keep pace with changes introduced by the two firms (Bell and B.C. Tel) which dominate Stentor. Local rates increased one dollar a month on December 15, 1990, and by two dollars a month on July 1, 1991. A further one dollar per month increase is scheduled for SaskTel subscribers for July 1, 1992. A customer who paid \$6.15 for basic local service in November 1990 will pay \$10.15 per month for the same service after July 1992 (evidence to CRTC in response to CRTC Public Notice 1990-73, in Price Waterhouse, July 16, 1991:12). Regardless of the Unitel bid, Canadian telephone companies have been forced to act by their major users. In the words of Bell Canada's Jean Monty:

Irrespective of what happens at this proceeding, we do have to change from two perspectives: from the perspective of our own customers, in terms of what they have to face in terms of competition on a North American free trade environment basis and, at the same time, permit Bell Canada not to be disadvantaged with the rate imbalance that we will have in our rate structure (Monty to CRTC, Evidence, 1990-73 Volume 43, pp. 11917-11918).

Elsewhere, Monty adds that changes to the nature of competition in telecommunications will require changes to the regulatory process itself:

Each nation must make basic policy decisions regarding the social and economic costs of increased competition in critical support industries such as telecommunications. However, if a country decides to create additional telecommunications networks through increased competition, there should also be changes in regulation. In my view it stands to reason that less regulatory intervention must go hand in hand with increased competition (Monty, October 9, 1991:3, emphasis added).

The irony of this statement by the head of Bell Canada is pointed out by the president of the CBTA who reminds us that it is competition that has driven the change in Bell policies:

The irony is that Bell says they would have made the cuts without the threat of competition. It is generally accepted within the industry that competition alone is forcing rates down. These rates are perceived as attempts by Bell and B.C. Tel to freeze out potential competitors (Bryan Turner, president of CBTA cited in Unitel, January 1991:1, emphasis added).

The most striking difference between the current Unitel-BCRL case and the CNCP application of 1983, is that now the CRTC generally accepts that long distance rates in Canada must be more closely aligned with U.S. rates. As CRTC Chairperson Bud Sherman put it in a press release announcing cross-country hearings to consider the Unitel-BCRL application:

We have to determine, and this will be the Commission's main objective, whether allowing Unitel and/or BCRL into the long-distance market under the conditions

they propose is in the best interests of the Canadian public, or whether there are better alternatives available for lowering long- distance rates (Sherman in CRTC Press Release, April 1991).

The competition for Bell Canada and the Telecom Canada network must be considered in terms of that which is possible at present and that which may enter the picture in the future, depending upon the outcome of regulatory decisions and policy changes. There exist at least three possible forms of competition to the existing system of long distance telecommunications services over the next decade.

Well established carriers such as Unitel provide the most probable source of immediate competition. Unitel already operates significant private line services and is continuing to expand and capitalize its vast operations. Other non-Canadian companies that could quickly step into the Canadian market include AT&T, MCI and GTE from the United States. In terms of markets controlled, the American firms dominate the North American area (see Table 6-3). As the telecommunications implications of the Canada-United States Free Trade Agreement continue to be resolved, and if regulators make an effort to promote competition in the area of MTS/WATS services, it is possible that these companies could be active on a wide basis in Canada within ten years. According to Bell some of these companies are already active in Canada:

AT&T, GTE Sprint, and Cable and Wireless Co. have already established bases in Canada to compete with Canadian carriers for the provision of network services. The Telecommunications marketplace of tomorrow will extend across North America and beyond (Bell Canada, Factsheet 04-1991-2348, evidence submitted in response to CRTC Public Notice 1990-73).

Table 6-3

North American Telecommunications Carriage Marketplace 1989

<u>Company</u>	<u>North American market Share</u>
AT&T	48.4%
MCI	8.8
Sprint	6.1
Other U.S.	29.4
Bell Canada	3.8
Other Canada	3.5

Source: (Adapted from Bell Canada, Factsheet 04-1991-2348, evidence submitted in response to CRTC Public Notice 1990-73).

The largest companies in the Stentor Network, Bell and B.C. Tel, have acted swiftly to re-balance rates. This has caused companies like SaskTel, Maritime Tel, Island Tel and Newfoundland Tel to follow suit. As the president of Newfoundland Tel told the CRTC:

I think there is a general acceptance throughout the companies of Telecom Canada [Stentor as of February 1992], that the realities of the current situation in Canada--and by that I mean the comparison of Canada-Canada rate levels with those in the United States more than I mean anything to do with potential Unitel entry--are such that message toll rates have to be reduced. If we are going to avoid

significant levels of bypass and erosion to the U.S. and we are going to remain competitive in international terms ... MTS rates...have to be more closely aligned with costs than they are now (In Price-Waterhouse, July 16, 1992:7-8)

According to the smaller members of Stentor, the impact of these changes will hit local users hard over the next several years [see Table 6-4].

Dr. Robert Olley's study of the impact of both rate rebalancing and competition on Sasktel, indicates that the average Saskatchewan rural residential user benefits from a cross-subsidy from long-distance of \$43.30 per month per line. Urban subscribers benefit from a subsidy of \$19.58 per month per line (Olley, 1991:34). Saskatchewan Telephones Minister Gary Lane acknowledges that a competing long-distance service like Unitel would represent a loss to SaskTel of \$68 million per year. Referring to the Olley study Lane remarked:

It is now clear from the study that long distance service on the Prairies is more effectively, equitably and efficiently serviced by the current public utility telephone companies (Lane in Regina Leader Post, February 7, 1990:A3).

The government of Ontario has also voiced its disinterest in the introduction of competition rebuking the claims made by Bell, Unitel and the large user community about long distance rates and international competitiveness:

Table 6-4

Telephone Company Estimates of Local Rate Increases
Required To Offset Bell and B.C. Tel Long-Distance
Planned Rate Reductions

	1997 %	2002 %
AGT	7.9	20.2
Island Tel	17.4	0.0
MT&T	15.1	15.1
NB Tel	9.7	18.9
Nfld Tel	57.9	69.8
SaskTel	20.2	27.7

Source: Baggaley and McKendry, July 16, 1991:12 and AGT to CRTC March 25, 1991; Island Tel to CRTC December 28, 1990; MT&T to CRTC December 28, 1990; NB Tel to CRTC February 28, 1991; Nfld Tel to CRTC December 28, 1990; and SaskTel to CRTC March 25, 1991

The international competitiveness of Ontario industry is not dependent on long-distance competition. It is dependent on the delivery of how low cost innovative telecommunications services. From the evidence of this case it would appear that the level of long distance prices is more likely to be reduced in a single supplier environment than it is through a competitive model. (Ontario, Response to CRTC Telecom Notice 1990-73, July 29, 1991:167-168).

Ontario's testimony goes on to deal with concerns for equitable technology distribution if the traditional role of the CRTC changes:

Ontario is concerned that the benefits which ought to accrue to all of the people of Ontario will not be delivered in a competitive environment. The incentive to concentrate new investment in plant and equipment in

the most lucrative markets will tend to leave rural and more remote parts of Ontario without access to the most modern technology. The single supplier model for MTS /WATS services will give the CRTC the opportunity to ensure that investment is made equitably and efficiently (Ontario, Ibid:, July 29, 1991:167-168).

A second source of competition is emerging from companies not traditionally active in the telephone industry. These are firms in the information industry whose activities are not very different from telephone services, so that they might well consider entering the market under the right regulatory circumstances. Recent technological developments have strengthened the likelihood that telephone and cable will make use of the same means of distribution. Fibre optic technology now makes it possible to carry video and digitalized data along the same lines used for voice communications: "This convergence of services has enticed telephone and cable companies to eye each other's business and jeopardizes our proven system of regulated monopoly control" (Lyle MacWilliamson, M.P. Okanagan-Shuswap B.C., Response to CRTC Public Notice 1990-73, February 25, 1991:4). As Gayle MacDonald of the Financial Post put it:

It's no secret Rogers [Communications Inc.] is hoping to use fibre optics to elbow its way into the long distance field. ...The building blocks are already in place. By 1991 RCI will have fiber optics to serve units of 800 to 1,000 homes throughout its operating area...CNCP, 40% owned by RCI, provides the long-haul component (March 5, 1990:38).

If the CRTC were looking for more capital from a competitive

long distance supplier in Telecom Decision 1985-19, Rogers provides that to Unitel. While angry about Canada's "Soviet-style" telephone oligopoly (Stentor), Rogers has said little about Canada's cable oligopoly and the industry's profits. For instance, while Rogers-Unitel were mounting their third challenge in long-distance, Canadian cable television profits rose 87.8 percent between 1987 and 1989 (see Telecommunications Workers Union, Winter 1990:22).

The main domestic contenders for telephone markets in this area in Canada are the cable television firms including Roger's Cable, Le Groupe Videotron and Maclean Hunter CATV who together hold over 55 percent of the Canadian CATV market (Canada: CRTC, November, 1990:6). Rogers parent company, Roger's Communications, has already taken steps towards competing with Bell by purchasing 40 percent of CNCP/Unitel Telecommunications, after the federal government privatized its 50 percent share of the company at the end of the 1980's. American CATV firms could also enter the Canadian market under the right regulatory circumstances. In the United States, Manhattan Cable (a subsidiary of Warner Communications), is among the leading firms pioneering two way CATV technology. Such technology would allow a CATV firm to offer telephone service in the homes of its subscribers. We cannot underestimate the potential power of the cable

companies in the future of Canadian telecommunications. These companies have already experienced the benefits of using telephone company systems [they use the telephone poles to string their wires between houses]. In the longer run, the long distance battle may be remembered as only an early skirmish in the eventual struggle over who will control the cable connecting millions of homes and businesses (Corcoran, April 21, 1989:B4).

A third possible area of concern for the long distance voice monopolists is the possibility of competition from satellite technology operated from outside of Canada. Along with and possibly including potential carriers such as MCI, AT&T and GTE, a number of satellite and point to point microwave carriers could tap into the Canadian long distance market. Already there exists documented evidence that some of these firms are operating illegally in Canada. Cam Net Communications and Long Net Communications, two United States-based firms, began offering cheaper rates on Canadian calls to the United States through facilities in Washington State. These firms thereby tapped into B.C. Tel's market for long distance services to the United States (Globerman, 1986:24). As early as 1985 B.C. Tel and CNCP had each complained to the CRTC about the activities of these foreign satellite and microwave carriers in Canada, arguing that

their activity constituted "poaching" (Woodrow and Woodside, 1986:197). The activities of Long Net and Cam Net affirm that rate rebalancing and deregulatory strategies in the United States will continue to put pressure on Canadian common carriers to respond (Globerman, 1986:24).

Recently, the United States government officially proposed to GATT that its long distance companies have access to all long distance voice markets. Under this proposal, American companies would be able to build their own facilities in Canada and buy domestic companies. They would be guaranteed regulations [such as those already in place under the Canada-U.S. Free Trade Agreement] to ensure they would be given "equal treatment" (Fagan, February 7, 1992). Lyle MacWilliamson, federal member of Parliament for Okanagan-Sushwap said of the proposal:

This would completely unravel Canada's regulated telecommunications market structure. It would mean massive foreign intervention. It would mean unfettered competition. The nature of our industry would virtually change overnight (MacWilliamson in Fagan, February 7, 1992).

Bell Canada's initial response to the threat of American bypass has been a service called "Advantage-Canada". In offering this service as part of a broad attempt to reduce business long distance rates between Canada and the United States, Marc Davidson, vice-president of international

marketing at Bell says:

AT&T alone has enough excess capacity to carry all of Canada's long distance telephone traffic...The migration of large amounts of telecommunications revenue to foreign carriers would be bad for Bell, but the impact would ripple across Canada's economy. ...We have no choice but to participate in this international activity while it is still at an early stage, and take the steps necessary for success (Bell Canada, December 1991:1).

CRTC President L.R. (Bud) Sherman agrees:

It is indispensable that a country has a telecommunications infrastructure to attain prosperity and attract business. Otherwise you become dependent upon other countries and that leads to an erosion of your independence and your integrity. And going into the 21st century, that would amount to technological serfdom (In Globe and Mail, September 10, 1991:A1).

What must be understood at this point in the discussion is that these possible and potential competitors represent a challenge not only to the Canadian telephone service structure, but also a challenge to its rate structure and cross subsidy format. Following an assessment of the emergence of these issues on the regulatory agenda, an assessment of the winners and losers from such rate rebalancing schemes will be made.

It is not fair to say that Canadian policy makers are simply importing an American model into Canadian telephone regulation. However, a number of trends have emerged in Canada over the past decade which are very similar to those which occurred in the United States in the 1970's. Due to

the importance of long distance telecommunications today, corporate users in Canada have taken much the same approach to policy as their counterparts in the United States. Large users are now determined to play a vital role in the telecommunications sector. Among individual companies, the Royal Bank of Canada has taken a leading role in calling for large reductions in long distance rates and the introduction of competition to achieve this goal (Woodrow and Woodside, 1986:166). The Royal Bank has also taken a leading role in trying to shape international policy towards telecommunications in Canada. In 1984, the Royal sponsored a conference on the "Policy Issues in the Canada-United States Information Sector". This conference was a first step to taking the kinds of issues normally presented to regulatory panels directly to the politicians by bringing major users, senior policy makers and elected officials together for what turned out to be a highly pro-competitive series of papers and presentations on telecommunications in Canada. Royal spokespersons claim that their telecom equipment and services expenditure (at over \$100 M. per annum in the mid-1980's), is increasing at 30 per cent per year. Allan Taylor, Royal chairperson in 1989 claimed: "consumers themselves will decide the levels of service they want and the type of equipment they prefer, and the amount they wish to spend"

(Blackwell, 1989 in Mosco, December, 1990:10).

Taylor and other corporate leaders are clear on which consumers should dominate this process--those who use the system the most. Large business user groups, led in Canada by the Canadian Business Telecommunications Alliance (CBTA) and the Information Technology Association of Canada (ITAC), have achieved some success in their efforts to lobby politicians and policy makers on behalf of the needs of the corporate long distance user. In 1979 CNCP/Unitel achieved its first major goal of entry into the "private business line" market (CRTC Telecom Decision 1979-11). Three years later competitive suppliers, supported strongly by the business lobby, won the right to compete in customer premises equipment and switchboard technology. This decision allowed customers to purchase and connect their own switchboards and telephones to the public network (CRTC, Telecom Decision 1982-14). In 1984 the Department of Communication and the CRTC oversaw the introduction of mobile cellular radio telephone technology on a duopoly basis between Roger's subsidiary Cantel and the Bell-Telecom Canada network (CRTC, Telecom Decision 1984-10). The major victory on the part of business users over the past six years has been in reselling and sharing. In 1990, after much effort on the part of users and powerful political allies in Cabinet (former Minister of

Communications Marcel Masse in particular), the CRTC expanded its original 1987 ruling on resale and sharing. The 1990 decision opened the market for resale and sharing within the area of private line telephone services (CRTC Telecom Decisions 1987-1, and 1990-3). The final victory over the old telephone structure may be achieved by large users in the outcome of the current Unitel bid to compete in the public long distance network.

In May 1990 CNCP/Unitel launched its latest bid to compete in the public long distance voice network (Unitel response to CRTC Telecom Notice 1990-73 and Unitel 1990a). The three volume proposal, entered jointly with B.C. Rail Telecommunications, asks for the approval of a six year plan that would eventually see its services extended across the country. Unitel and B.C. Rail request that the CRTC mandate rate discounts for their companies (below those charged by Telecom Canada members), until prospective customers adjust to their entry into the market (Ibid:5).

In August of 1990 Unitel provided its business plan to the CRTC covering the prospective years 1993-2007. If events occur according to this plan Unitel will capture 10 percent of the Canadian market by the end of the decade, increasing its market share to about one fifth of the long distance market by 2007. The plan reveals that even with a 15 per

cent price discount mandated by the CRTC, the firm could expect to lose money until 1997 (Unitel, May 1990; August 1990). Unitel President George Harvey, is clear about who will benefit from changes: "Unitel's business plan will reduce business rates and keep local rates where they are now" (Unitel, January 1991:1). Such statements have drawn the support of the business community nationwide:

We use several different telecommunications suppliers to interchange data among our operating divisions in Canada and the U.S. We would like to have the option of using alternate long distance suppliers as well. Our business operates in a highly competitive environment. I believe that competition in the telecommunications arena will help us continue to be competitive (Paul Wiens, President Information Systems, PCL Constructors, Edmonton cited in Unitel January 1991:2).

Much of Unitel's support from the corporate sector comes from a day to day experience with the realities of business competition. Many spokespersons from industry take competition to be a "common sense" notion good for any industry. Typical of this perspective is the following sentiment offered by Jeremy Ray, vice president information Services for Livingston Industries in Toronto:

Competition is a way of life for my company. We have to confront our competitors head-on every day of the week. It's good for business, it's good for our customers and it's good for a healthy economy (cited in Unitel January 1991:2).

Aside from the unified demands from private sector organizations, regulators and policy makers have been

besieged by public sector organizations such as hospitals, universities and government departments, each demanding lower telecommunications costs. The Ontario Hospitals Association, Ontario Hydro, and a number of provincial and federal government organizations came to the fore in the 1981-82 terminal attachment hearings case before the CRTC (Ontario Hospitals Association et al, Final Argument to the CRTC on Terminal Attachment, January 18, 1982). The efforts of these government departments alongside the federal government's Director of Competition and the National Telecommunication Agency add an important "insiders voice" to government policy making activities in regard to the telephone (Woodrow and Woodside, 1986:186). As we discussed in Chapter Five the federal Ministry of Industry, Science and Technology and the Minister for International Trade are now pressing for competition and the linking of Canadian and world standards (see M. Wilson, August, 1991:4).

The efforts of user organization have brought the concerns of those seeking competition in long distance voice services in Canada to the fore. There are, however, within Canada, significant elements who seek to restrict competition in this area while acknowledging its utility in other areas such as terminal attachment. At the intermediary level of user groups stand the medium and small business

users. This group has expressed a number of contradictory concerns; many desire lower rates but not if these rates are based on the acceptance of Local Measured Service pricing (LMS) (discussed in Chapter Nine). It is likely that medium and small business users will continue to divide into a number of groups, depending upon the benefits each seeks to derive from some level of competitive entry by CNCP.

Working class consumers, although less powerful than their corporate counterparts, constitute the bulk of telephone users in Canada. Several organizations have represented the interests of these residential or household users before the regulator: The National Anti-Poverty Organization (NAPO), the Public Interest Advocacy Centre (PIAC), Rural Dignity Canada (RDC), and the British Columbia Old-Age Pensioners Organization (B.C. OAPO). As the American experience during the 1970's teaches us, residential user groups such as these do play a significant role before regulatory panels, especially when concerns about rate restructuring arise.

The Canadian Association of Consumers' (CAC) position has long been one of ambivalence towards CNCP/Unitel competitive efforts in long distance voice services. The current stand of this organization is one of opposition to CNCP/Unitel proposals for access to the Telecom Canada

network, unless guarantees can be secured that consumers will not experience significantly increased local rates. The CAC describes its mission as trying to "balance off the benefits of innovation and choice for consumers with the concerns of ordinary household users about increasing rates and lower quality service" (CAC, Final Argument to the CRTC on Terminal Attachment, January 18, 1982:1 ff.).

The CAC has more or less accepted Unitel's statements about contributions to Bell to compensate for losses to the cross subsidy pool. Still waffling, CAC has now given qualified support to Unitel:

No compelling evidence was presented by the telephone companies that contribution mechanisms cannot capture sufficient revenue to maintain the price of local services for Canadian consumers... CAC is prepared to give qualified support to the introduction of competitors in the provision of long distance service in Canada (CAC, originally cited in Unitel, November, 1991:9).

The key word for CAC is "competitors". CAC restricted its concerns to the alleged cross-subsidy. By ignoring the opportunity to bring forth voluminous evidence of problems from the United States, CAC may have done its constituency a disservice in the long run. No mention is made about the problems that duopoly might pose for average consumers in Canada in the CAC's testimony to the CRTC.

Speaking to the tradition of public utility regulation

in Canada, the government of Saskatchewan was more thorough in reminding the CRTC of its traditional public service role and in highlighting potential problems with the Unitel promises that CAC accepted almost without question:

The CRTC Annual Report states: "The commitment of the CRTC is to preserve and enhance communications systems in Canada in the interests of the Canadian public". Central to Saskatchewan's opposition to the Unitel application is our belief that competition in long distance services does not recognize or respect the interests of Canadians in general and residents of Saskatchewan specifically. Unitel states that it will introduce innovative services to the long-distance market and points to its research and development budget as creating thousands of jobs...Unitel proposes a formula which would make \$3 million available for R&D in 1993. Unitel's definition of R&D includes activities that Revenue Canada would not qualify as R&D. This sum is significant when compared to SaskTel's current true R&D expenditure of \$4.4 million in 1991 (Lane, March 8, 1991:1,9).

The Public Interest Advocacy Group (PIAC) is affiliated with the National Anti-Poverty Organization (NAPO). NAPO was formed in 1971 to serve and represent the interests of the poor in Canada. It has become a principal voice for this interest group and Canadian residential users in general during the succession of hearings on long-distance competition in Canada. Rural Dignity was established in 1987 to address policies and decisions affecting the development or survival of rural areas in Canada (NAPO and RDC response to CRTC Telecom Notice 1990-73:1-2). NAPO has been more consistently opposed to CNCP/Unitel plans from the beginning.

NAPO has been consistently critical of what they term "the fallacy of the technological imperative", arguing that any movement towards deregulation or competition in Canadian long distance voice services is "likely to produce substantial income transfers away from lower income Canadians and threaten universal access to the telephone network" (NAPO, Final Argument to the CRTC on Bell Canada Reorganization, February 21, 1983:3ff.).

PIAC and Rural Dignity Canada (RDC) have struggled, with limited budgets, to make the voice of the average Canadian, especially low income Canadians, heard above the clarion calls of large and wealthy user groups before the CRTC. PIAC and RDC share two central concerns: (1) That the price Canadians pay for local telephone service does not increase at a rate greater than the rate of inflation (local service in this sense includes "installation, access, local service charges, including touch-tone, and other local service options" (Watkins, April 14, 1991:1), and (2) That the price Canadians pay for short-haul long-distance calling is reduced proportionally with the prices charged for longer haul and inter-provincial long distance voice services (Ibid).

The British Columbia Old Age Pensioners Organization and the Federated Anti-Poverty Groups of British Columbia have fought competition in long distance for many years. Known as

B.C. OAPO, this coalition of interests has argued that the CRTC should uphold its traditional "public service" approach to regulation:

Unitel expressed its view that apart from Bell Canada which has a statutory obligation, the respondent telephone companies are under no legal obligation to serve. ...If competition is allowed, the Commission should make it clear that the introduction of competition will not change the telephone companies existing obligation to serve (Gathercole, 1991a:15-16).

In many respects, the Canadian telephone system has been among the best in the world for many years from both a technological and social perspective. Technologically, Stentor members have remained at the forefront of technological innovation and service to business and residential customers. Socially, this network has achieved near complete universality at affordable rates to 98 per cent of the Canadian population (5 to 6 per cent above the best figures achieved in the United States (Mosco and Pike, 1986). Evidently the alleged system of cross subsidies which has long characterized the local/long distance arrangement in Canada has been of great utility, both for allowing the telephone companies to provide state of the art services and for keeping these services affordable and accessible to the vast majority of Canadians. The CTC and the CRTC have utilized the cross subsidy approach in the broadest sense possible in order to achieve the goals of universality, while

maintaining a world class track record for technological innovation (interview with former CRTC chairperson John Meisel, April, 1990).

Over the past decade, major users of telecommunications technology have been successful in bringing their desire for lower rates to the fore of the regulatory agenda. The persistent efforts of the major users to sway policy makers towards a competition in long distance services in Canada warrant discussion at this point in our analysis. Certainly it is not true competition, but rather a Unitel-Stentor duopoly that would result from the kinds of policy initiatives advocated by major corporate telephone users. Who are the likely winners and losers from a Unitel-Stentor duopoly?

Smaller and medium sized business are very concerned about what might happen under such a scenario. This fraction of capital led by the Canadian Federation of Independent Business (CFIB), has been at the fore, alongside major companies, through many of the resale and enhanced services hearings as well as the MTS/WATS cases. Evidence brought forth from the United States reveals the concerns of smaller and medium sized businesses in that country following the introduction of competition:

It is my opinion that only companies that have large

long distance charges are benefiting from the breakup. The average small to medium size company is now paying for those cost reductions. I have subscribed to Allnet for long distance calls, but what we save on that in no way compensates for the change in monthly charges plus all the other additional listing of services for which we are now charged (Bill Kirchner, Agent, State Farm Insurance, Lake Orion, Michigan quoted originally in Goldstein October 19, 1987).

And from Margaret Smith, owner-partner in C.E. Sickeker Hardware in Sewickley, Pennsylvania:

As a small business user we have been adversely affected by the breakup of AT&T. Very simply, our basic monthly charges for equipment and service changed from \$373.51 to \$563.19, an increase of 51 percent. Our average monthly saving on long-distance is \$25 (in Ibid).

In Canada, the CFIB is worried that Bell's rates discriminate against smaller businesses in favour of larger ones: "Cost savings available through the use of private line services, such as Foreign Exchange (FX), are not available to other than large businesses" (CFIB, Response to Telecom Notice 1989-1, April 1989:2-3). CFIB members fear a repeat of American style rate restructuring in Canada and its inevitable result on small business telephone bills. In Canada, CFIB has taken the lead to try to share in the benefits granted to larger companies. The success or failure of this effort remains to be seen, although some victories have been gained by the CFIB in resale and sharing decisions [Chapter Five]. Let us turn now to a more definite assessment of the winners and losers in the effort to

introduce competition and rate restructuring into the MTS/WATS market in Canada.

(iv) Winners and losers

One advocate of competition writes:

Who benefits from competition? In any assessment of the winners and losers in the shift to competition, it is apparent that the most obvious immediate winners are large corporations and that the benefits to average residential consumers appear to be either indirect or off into the future. As representative Swift [U.S.] argued during congressional hearings in 1983, one would have to have a \$50 a month telephone bill before there would be any benefit in any drop in long distance rates brought about by competition, and fewer than 4 percent of residential users fall into that category (H.N. Janisch, 1986:338).

The main reason the majority of Canadians would oppose the current Unitel application is a concern that local rates will increase disproportionately to long-distance rate decreases. Unitel has planned its strategy wisely, arguing that three factors mitigate against local rate increases:

(1) Unitel will make contribution payments to the telephone companies for the use of their facilities [the company plans to pay \$11.1 billion to compensate for reduced local rate subsidy over the period of the 1993-2007 business plan]; (2) Unitel's entry will increase the size of the long distance market (stimulate the market to grow by 4 per cent per annum over the fifteen years in question, adding \$9 B. to long

distance revenue forecasts); and, (3) Competition will stimulate productivity gains cutting 2 per cent from total expenses, thereby saving another \$7.7 B. over the period of the plan (Unitel August 1990, see also Baggaley and McKendry, July 16, 1991:6).

Mosco contends that Unitel's expectations of the Canadian market under conditions of Telecom Canada-Unitel duopoly may be unrealistic. First of all there is the problem of financing. The CRTC, Mosco reminds us, was concerned in 1985 about the company's ability to finance such a \$2.4B. undertaking. Mosco argues that the parent companies, CP and Rogers, may already be at the limit of their ability to finance the company (Ibid:26). In this case, Unitel, like Mercury in the United Kingdom, might return to regulators asking that they continue to compete but not in all areas of the country, just in the lucrative urban areas. As Hardin has pointed out, the CRTC has a history of allowing competitors into broadcasting, then relaxing requirements. Hardin pointed to the many instances where CTV appealed successfully to have its Canadian content requirements relaxed while it strengthened its capital base. In this case, the CRTC simply reduced the company's mandate at the request of the firm in question (Hardin, 1985:169-85).

Mosco also questions Unitel's data on rate restructuring

on the basis that it flies in the face of evidence on rate rebalancing in the United States (see above). It could be added that Unitel's plan is based on the assumption that it will be the only competitor. Under the terms of the free trade agreement with the United States, American firms may enter the Canadian telecommunications scene in the near future. An important part of the emerging global ISDN communications grid will be continental grids. Under a scenario of competitive entry and open markets in reselling, Canadians could reasonably expect that the entry of American telecommunications giants into the Canadian arena would be a natural response to the movement towards oligopoly in Canada. Unitel's plan does not take this possibility into account. In an unrelated matter concerning Rogers high debt load, director Ted Rogers soothed its creditors at the First Bank of Boston, Canada, by telling them:

If Rogers ever wished to lower its level of debt, it would consider selling 29 per cent of Cantel and its interest in Unitel at a premium over private market values to one or more international communications companies looking for a strategic alliance (Ted Rogers, June 25, 1990 letter to the President of the First Bank of Boston Canada, in Mosco, December, 1990:26).

Clearly Unitel's ownership understands the direct possibility of American entry, but for strategic purposes they are not willing to mention the topic with regulators in Canada during telephone hearings.

Bell Canada has also offered a thought provoking assessment of Unitel's application. Bell is now arguing that "Unitel's proposal to the CRTC did not successfully substantiate the contenders' most important claims:

...in fact, evidence presented to the CRTC shows that market entry based on the proposals of these companies [Unitel and BCRL] would lead to higher costs and lower productivity. Market growth due to entry would be minimal, and industry R&D expenditures would fall (Bell Canada, Response to CRTC Telecom Notice 1990-73, Factsheet 04-1991 2348:2).

Bell goes on to estimate that Unitel-BCRL's plans would end up costing Canadians around \$4 billion over the next ten years, in order to reflect lost efficiencies and pay for required modifications to Bell's network required to accommodate interconnection. Both Unitel and BCRL have asked that Bell and the Stentor network pay for most or all of the changes required for interconnection (Baggaley and McKendry, July 16, 1991:3-4). Bell argues that it will be forced to pass these charges along to its customers: "...the burden of these costs would inevitably shift to Bell's customers and shareholders. Local rates would rise and long distance rates would be higher than otherwise" (Bell Canada, Factsheet 04-1991-2348:2). Bell also contends that the higher cost structures of the new entrants would place an additional \$3 billion burden on the network and its customers. NAPO and RDC have also mounted a challenge to Unitel's evidence. In

its argument to the CRTC [Unitel Argument, July 29, 1991, at 413-414], the company said that one time costs associated with the modification of telephone company switches and operating systems to convert to a competitive environment should be recovered from all subscribers. NAPO and RDC counter argued that "since only a minority of subscribers would benefit significantly from Unitel's entry, the costs of interconnection should be borne by entrants except where equipment modification would benefit all subscribers" (Watkins and Lawson, August 12, 1991:4). Evidence from the Saskatchewan and Ontario governments showing cost increases to local services very similar to those cited by Hills in the United Kingdom caused NAPO/RDC to add one week later:

The evidence [responses to CRTC Telecom Notice 1990-73] confirms that rural and remote subscribers are especially vulnerable in a competitive long-distance market where entrants and incumbents concentrate on higher traffic and high profit routes (Watkins and Lawson, August 19, 1991:5).

B.C. OAPO notes that Unitel's evidence on productivity was almost solely reliant upon the testimony of Dr. Oum-- evidence which was "seriously, if not totally, undermined in cross-examination particularly by the cross-examination of B.C. Tel, the Government of Saskatchewan and CRTC Council" (Gathercole, 1991b:2). Further evidence provided by B.C. OAPO shows the validity of Bell's argument above regarding

industry revenue growth after the introduction of competition. In cross-examination, Mr. Watt of Unitel agreed that by 2007 "the respondents taken together will have \$5.5 billion less revenues than they would have earned without competition even given a projected 30 percent increase in business" (Ibid:2). As far as B.C. OAPO is concerned, Unitel is asking for "competition in an oxygen tent, an oxygen tent provided by the Commission" (Ibid). Ironically, during hearings, a Unitel witness, Dr. W.T. Stanbury, stated:

...It is not necessary to subsidize competition. I don't want capitalism in an oxygen tent--that is a very funny kind of capitalism (CRTC Transcript Bell-Unitel, Vol. 26, page 6745, lines 4-7).

As for the BCRL application, B.C. OAPO criticizes it for the kind of cream-skimming of markets MCI attempted in the United States during the 1970's:

BCRL acknowledges that its application is a cream skimming application. It does not propose to provide universal service but to target specific market niches. Mr. Kedar was asked by counsel for B.C. OAPO: "Would it be fair to say that the services you propose to offer in the residential area will be services targeted at high volume users? Mr. Kedar: Yes"...BCRL believes that route averaged pricing is necessary for telephone companies but not for BCRL (Gathercole, 1991B:9).

Later in the same round of testimony Kedar was asked by council for B.C. OAPO: "Are there any services aimed at residential customers which BCRL intends to provide which are not presently available through B.C. Tel, or proposed to be made available by B.C. Tel in the B.C. area that you are

aware of?" Mr. Kedar responded: "I can't think of any particular one" (Gathercole, Ibid:9).

A recent study completed by Dennis Hall concludes that the introduction of competition along the lines proposed by BCRL and Unitel would increase the cost to provide service because of the "less efficient use of equipment and facilities". According to Hall, [see also Table 6-5] Bell's productivity record has been exemplary despite its status as a monopoly:

Over the last 20 years, Bell's annual productivity growth has averaged 4.2 percent per year compared to less than one percent per year for the Canadian economy as a whole (Hall, 1990:6).

The results of Hall's study show that the entry of other companies into the long-distance market would increase the cost of providing long distance service. These higher costs would stem from the inefficiencies of connecting and operating duplicate networks. More than one supplier, according to Hall, also increases marketing and advertising expenses and increases regulatory costs (Hall, 1990:8).

Labour in the telecommunications sector also has a great deal at stake. Aside from the job losses indicated above [section iii] Canadian workers can be concerned that Canadian telecommunications firms operating in the United States have had ten years to hone their union-breaking strategies. Larry

Cohen of the CWA tells us:

Northern Telecom is among the worst telecommunications companies with which we negotiate. Every negotiation is viewed by the company as an opportunity to decertify the union. They have decertified five of our bargaining units. They'll fire their best workers if they are union leaders (Cohen, 1991:90).

Cohen argues that Northern has gone to great lengths, before and after divestiture and the introduction of competition in the United States to break organized workers:

Recently we received dramatic evidence of the systematic and illegal invasion of privacy by Northern Telecom in its manufacturing plant in Nashville, Tennessee. Copies of tape recorded telephone conversations, wiretapped from payphones in the employees cafeteria, were provided to us by a former security officer in the plant. Additional tapes were made from listening devices in the plants sprinkler system. This surveillance was conducted from at least 1979 to 1989 as part of a broad effort in the plant to prevent unionization (Cohen, 1991:91).

Aside from losses to labour, there is rising concern even in government circles about the widespread utility of competition in telephony. The federal, provincial, and Territorial governments have organized two separate joint commissions to examine long distance telephony competition (the Mongeau and Sherman Reports). The Mongeau Report is the final assessment of the Federal-Provincial Examination of Telecommunication Pricing and the Universal Availability of Affordable Telephone Service, presented in 1986. The Sherman Task Force Report is the outcome of the DOC sponsored study:

Table 6-5
Total Factor Productivity
(Average Annual % Change)

Period	Bell Canada	Canadian Economy	Business Sector
1970-1989	4.2	0.6	0.9
1970-1979	3.9	1.2	1.0
1980-1989	4.6	-0.1	0.8
1985-1989	6.0	-0.3	1.3

Source: Hall, 1990:6

Canadian Telecommunications: An Overview of the Canadian Telecommunications Carriage Industry, 1988. The Mongeau Report concludes that a small number of telephone bills might be expected to decrease under a Unitel-Telecom Canada duopoly arrangement, while the bulk of Canadian telephone bills would increase. The Sherman Report came to the same conclusion that benefits would be concentrated among a small group of business users and an even smaller group of residential users [between 8 and 13 percent of urban residential customers and between 5 and 9.6 percent of Bell's

largest business customers would experience lower monthly telephone bills]. The Sherman Report went on to add that other subscribers could expect to pay higher rates than they do under the present arrangement (Canada: Federal Provincial Territorial Task Force, [Sherman Report], 1988:xl). Yet we find the representatives of large telecommunications users pressing ahead with their cause as if large users needs and the national interest were one and the same. According to one large user group:

The only market structure able to meet our needs through the 1990's and beyond is one characterized by healthy competition...Unitel has met the prima facie test for approval of its application (CBTA in Unitel, November, 1991:9).

And this, by a leading telecommunications consultant to big business:

We have fallen drastically behind the U.S. in terms of telecommunications pricing and service availability...if we fell as far behind in transportation, we'd be riding carriages (Frank Koelsch, Telecommunications Consultant, Edmonton, September, 1991 in Unitel, November 1991:10).

For many reasons, perhaps from problems experienced with network access in the competitive environment in the United States, in Canada, some large companies have begun to rethink their position on the best way to achieve lower business rates. The Montreal Chamber of Commerce, for example, has considered the possibility that Bell may be correct in its claim that a Bell monopoly, committed to United States price

parity, may be better than competition (Ravensbergen, March 12, 1991:C2). Pierre Lamarche, Unitel's vice-president of governmental affairs responded to this revelation by saying: "it is absolutely inconceivable that business people in Montreal should be against competition" (Ravensbergen, March 13, 1991:F1). What is most important here however, is that big business in Canada feels it will win either from a Bell monopoly with United States style business rates, or with a Unitel-Bell duopoly. If big business were to press for Bell over Unitel, the latter could experience drastic problems at the CRTC.

In Britain, Sir Bryan Carsberg, Director General of Oftel, has reversed his earlier position on cross subsidy in light of several years experience with competition. Now Carsberg agrees that cross-subsidies are necessary among international, long distance, local calls and the fixed costs of the network. He now admits that the way in which change was implemented in Britain was caused more by political decisions than economic ones (see Hills, 1991:11). The winners and losers from the introduction of competition and rate restructuring are becoming clear even to their most ardent advocates as the case of Carsberg reveals. The problem now for the business community does not seem to be one of how to go about winning the telecommunications debate,

but rather, how to settle for nothing less than a complete victory.

For some time in the United States, the competitive form of economic activity has informed the structure of legal and regulatory affairs. This has certainly been the case to a much greater extent than in Canada and other western societies. Even in the face of a dominant firm like AT&T, FCC concerns for universal service have been subverted by powerful user groups seeking pro-competitive objectives. These same forces have been at work in Canada for the past decade and a half and are beginning to realize positive results. Yet, both residential and business users in Canada have had very good service and prices by OECD standards. (see Figure 6-3 and Figure 6-4).

In the past, emphasis on competition has been balanced by the need to accomplish other social goals. Today this is increasingly less the case. In Canada, the dominant telephone monopoly even seeks rate structures equivalent to those we might experience with competition, while avoiding the actual competition. It appears clear that with or without competition, Bell and other Telecom Canada members have made steps to ensure rate restructuring to favour corporate users

Figure 6-3

Basket of Telephone Services: Residential, OECD Survey, 1989

Source: OECD, 1989.

before the end of the 1990's, with or without a Unitel-Telecom Canada duopoly in long distance voice services.

Average telecommunications users have become concerned, especially groups like NAPO and RDC representing the interests of lower income groups. Canada's overall

Figure 6-4

Basket of Telephone Services: Business, OECD Survey, 1988

Source: OECD, 1989.

subscription service (percentage of universality achieved), is about 6 percent higher than in the United States. The subscription rate for households with incomes under \$20,000 is the most striking difference between the two countries [see Figures 6-5 and 6-6]. NAPO and RDC brought Statistics Canada data to the CRTC revealing that:

the average monthly long distance bill of those

earning less than \$10,000/year was \$9.00. The same figure for those earning less than \$25,000/year was \$14.60...the vast majority of low income subscribers in Canada do not spend enough on long-distance calling to gain from rate rebalancing (NAPO/RDC, July 29, 1991:14).

People living in remote communities should also be concerned; for example, Summer Beaver--a community with a population of 50 people. It is but one of sixty far-north exchanges served by Bell Canada in Northern Ontario and Quebec for the network is \$250,000 (1990) with an annual maintenance cost per subscriber of \$1,600. In 1990, subscribers in Summer Beaver paid five dollars a month for residential individual line service (Bell Canada, evidence submitted in response to CRTC Public Notice 1990-73, Bell Canada Fact Sheet, 04-1991 2348).

Northern users may not be the only ones affected by competition and rate changes. Rural users in southern areas have already seen promised services disappear while Bell tries to reshape its cost and rate structure. Residents of Bedford Township [in rural Ontario between Ottawa and Toronto] have also experienced difficulties in having Bell extend its network to rural areas in the new competitive era. The area in question has traditionally been "cottage country" growing in recent years to one hundred dwellings in the unserviced area. Bell promised to begin work to connect these residents in June of 1990. In 1991 Bell reneged,

5

PM-1 3½"x4" PHOTOGRAPHIC MICROCOPY TARGET
NBS 1010a ANSI/ISO #2 EQUIVALENT

PRECISIONSM RESOLUTION TARGETS

PIONEERS IN METHYLENE BLUE TESTING SINCE 1974

Metro

1400 COUNTRY ROAD 6 BIRMINGHAM, AL 35207 USA
TEL 812 435 1987 FAX 812 435 7897 TLA 8 00000000

Figure 6-5

Percentage Of Population With Residential Telephone Service In Canada And The U.S. (by income group, 1988).

Source: Adapted from Bell Canada Fact Sheet (Bell Canada: 04-1991 2348, submitted to CRTC as evidence in the current Unitel application, Response to CRTC Public Notice 1990-73.

saying that it had to cut the cost of servicing the area from \$8,000 to \$4,000 per customer. The residents of Birch, Kingsford and Canoe lakes will have to wait until more people move into the area, before the service would be profitable

Figure 6-6

Comparison of Total Operating Expenses for Local Service for Bell Canada Against the U.S. Average, 1989

Source: Adapted from Bell Canada Fact Sheet (Bell Canada: 04-1991 2348, submitted to CRTC as evidence in the current Unitel application, Response to CRTC Public Notice 1990-73.

enough for Bell and its new focus on moving prices closer to costs (Kilfoyle, 1992). This is a significant departure from

the kind of service rural users in Ontario had come to expect in recent years.

In the west, the community of Cherryville, 50 km. east of Vernon, British Columbia, has also felt the cold winds of changes in telephone company policy. According to Lyle MacWilliamson:

In the community of Cherryville, British Columbia, 50 km. east of Vernon, a resident recently paid \$1,100 to run a telephone to his house. Previously the line would have been installed for nothing (MacWilliamson, February 25, 1992:12).

What is perhaps most striking about these developments is the way in which Canada's telecom system is moving closer to the United States model both in theory and in practice. Concerns for universality, while still upheld by regulators, are slowly being eaten away by powerful and well organized interest groups seeking cheaper corporate long distance charges. As in the United States and Britain, competition [or duopoly in our case], will likely lead to a corporate victory at the expense of many residential and many small business users. As our long distance policy moves closer to the United States model, Canadians must be aware that the basis of the policy process in Canada is itself changing. But like Lyle MacWilliamson, member of parliament for Okanagan-Shuswap, Canadians as a whole need to ask some pretty tough questions of the regulators:

Local rates in the United States have increased 76.1% from 1981 to 1989 while long distance rates have risen 11.9% (intrastate) and 13.2% interstate. The Consumer Price Index in the U.S. over the same period for all goods registered a 51.6% increase. In other words, corporate long distance costs went down while local residential and business costs went up. During the last four years long distance rates in Canada have fallen as much as 50%--without competition, without increases to local rates and without the problems associated with the U.S. experience. Currently, Canadian rates for both residential and business consumers are the second lowest in the world. Such evidence, in comparison to our lagging U.S. counterparts, begs the question, "if it ain't broke, why fix it?" (MacWilliamson, February 4, 1992:7).

The Saskatchewan Minister for Telecommunications also wonders about the viability of the Unitel application in reaching remote areas:

There is absolutely no assurance that the applicant will actually live up to this plan, and it will be rural, remote and small communities who suffer. We believe Unitel's prime interest is in "cream skimming" or using existing telecommunications company facilities to take the revenue from the most profitable high traffic routes, while leaving the telephone companies and their customers to bear the cost of service to rural areas (Lane, March 8, 1991:12).

The above passage reminds one of Hardin's work on the CRTC and CTV. Lane also wonders about the track record of CP, a 60 percent stakeholder in Unitel, in dealing with less profitable areas under a competitive market format:

Saskatchewan has additional reservations about long-distance competition by Unitel and implications for customers. Half of this company is a railway company which has a record of conduct which is far from exemplary in Canada. The people of this province do not want to place their fate as telephone customers into the clutches of a company which, within the past 20 years, has been

responsible for the abandonment of at least 1,410 miles of rail lines within Saskatchewan alone...our concern is that Unitel will give Canada's electronic highways of tomorrow the same treatment given the rail lines of yesterday (Lane, March 8, 1991:17-18).

As Jill Hills has put it following her study of the United Kingdom: "As a strategy for countries with large rural networks and small market size, liberalization [competition] can only benefit the few at the expense of the many" (Hills, 1989b:171). Aside from the mounting evidence as to the problems with competition for average users, we should consider that many of the economists advocating change were the same ones to advocate similar changes in airline deregulation and competition a few years back:

...in the real world of competition the proof of the pudding is in the eating...Recall the case of People's Express [airlines], which was created in response to the deregulation of the airline industry. The existing carriers said its strategy would not work: travellers would not want to carry their own bags or pay extra for coffee or soft drinks; they would object to higher density seating arrangements; they would resent overloading reservation lines and the absence of preselected seating. It turned out that lower fares (about 50% to 60% of regular fares) more than made up for the loss of amenities and People's Express grew enormously. ...The point is that until travellers actually experienced the new services or potential travellers saw them in action, no one could be sure how they would respond (Stanbury, 1986:493-94).

Not long after the publication of Stanbury's argument, People's Express went bankrupt, stranding thousands of travellers and vacationers en route. The death of other small carriers and virtual giants like Pan-Am in an industry

which has reverted back to rigid oligopoly after a brief interlude of competition, should give us pause to reflect upon the validity of the airline deregulation evidence and the arguments in favour of competition in general in telecommunications.

(v) Summary

As the CRTC has accepted the interests of the hegemonic elites, it has come to accept the needs of this businesses class as the national interest. Yet, the victory of large users over smaller residential users in the effort to reshape the policy process is incomplete. The record of events and the success of the multinational users groups in shaping the policy agenda cause us to reflect upon the theoretical insights elaborated in Chapter Three. By understanding the structural relationships that exist in a capitalist economy we can begin to see, as do Jessop (1991) and other regulationists, the state as a "social relation". Power in this view, is an "institutionally mediated condensation" of the changing balance of class forces seeking to act upon the state. As the old Fordist regime of accumulation enters prolonged crisis, the balance of these class forces before the CRTC has changed.

Today, the dominant fraction of capital (large users and

service providers) is seen by many in government to hold the solution to crisis by way of an information sector led recovery. This has assisted these groups in supplanting the former position of dominance that Bell Canada and the public utility concept of regulation held before the regulators. There are however, no neat and tidy solutions for either government or the private sector despite what some politicians or industry leaders might hope. As we saw in Chapter Five on resale, sharing and enhanced services, this study of MTS/WATS competition highlights the fact that the more market forces are allowed to play a central role, it creates a variety of structural categories of producers and consumers. In the end, the hegemonic apparatus of the state is left with a large mess of conflicting interests to sort out in the long run interests of political and economic stability.

One thing this chapter has shown is that the state sometimes must act against the short run interests of certain large firms and industry blocks. For example, Bell has not, despite what Babe may argue, dominated the policy process in recent years. Likewise, as CRTC Telecom Decision 1985-19 reveals, large users did not simply demand and receive immediate competition from the CRTC. The apparatuses of the state [both Cabinet and the CRTC] have acted slowly,

cautiously negotiating the waters of turbulent structural conflict and class antagonisms among users. Today, the Cabinet has drafted a telecommunications act which essentially enshrines competition as a long term telecommunications policy goal. In 1985 the CRTC admitted that competition was a good idea, but the time was not right. Today the time is right, the Cabinet has assessed the waters and sought to act in the interests of capital, not necessarily at its behest or according to the timetable of the private sector. Certainly the class position of Bell will afford it the opportunity to benefit as well, but only insofar as it, like the CRTC, responds to the interests and demands of the dominant fraction of capital.

Let us turn now to the ways in which Bell anticipated the emergence of competition in Canadian telecommunications following events in the United States, and restructured its operations. Here we will see that Bell did not dominate the regulatory process but rather, responded to the turbulent waters with great skill. Like AT&T in the United States, Bell leadership had no intention of losing out from the potential benefits of the emerging competitive order.

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C H A P T E R S E V E N

THE RESPONSE OF THE DOMINANT TELECOMMUNICATIONS CARRIER TO AN INCREASINGLY COMPETITIVE TELECOMMUNICATIONS ENVIRONMENT: BELL CANADA GIVES BIRTH TO ITS PARENT

(i) Introduction

In order to better understand the series of events that has occurred in resale, enhanced services and MTS/WATS competition, it is important to consider the response of the dominant carrier, Bell Canada, to the emergence of a competitive environment in Canadian telecommunications. By turning our attention back to the early 1980's, we can see the steps Bell took to anticipate events and to prepare itself for a more competitive environment. This look at the response of the dominant carrier to change tells us a good deal about the way in which institutional structures interrelate in a capitalist economy. It also helps us to understand the longer run implications of Bell's response to policy initiatives in resale, sharing, enhanced services, MTS/WATS competition and international telecommunications policy making in Canada. In the end, it helps us to understand how Bell in Canada, like AT&T in the United

States, has never had any intention of allowing itself to be the loser in the struggle over competition. CNCP-Unitel and the resellers may win, the large user lobby may win, but Bell Canada will also win from changes to policy and practice in Canadian telecommunications.

Towards the end of the 1970's Bell Canada could feel the winds of change blowing across the landscape of Canadian telecommunications. CNCP was challenging the dominant telephone company before the CRTC for the right to offer increasingly competitive services. The case before the CRTC to open customer premises equipment to competition was being formulated by would-be competitors in the equipment industry. In the United States, AT&T had just lost the Execunet decision to MCI and was being challenged by the Department of Justice to divest itself of equipment companies and operating companies. There were many threats to the hegemony of Bell Canada in Canadian telecommunications. In 1977 the CRTC had ruled that certain [highly profitable] Bell subsidiaries were "integral" parts of Bell's network, and thereby these incomes should and would be included in an assessment of Bell's future rate base. In 1978 the CRTC went so far as to include the income from a \$1.1 billion deal with the Ministry of Post, Telegraph and Telephone in Saudi Arabia (Hockin, et. al., 1985:80). As we saw in Chapter Six, CRTC Telecom

Decision 1979-11 required Bell to provide CNCP access to its public switched telephone network for competition in private line services. On October 5, 1980 the CRTC ruled that subscribers could connect their own telephones and other equipment to Bell's network. Also at that time, the CRTC ordered Bell and the TCTS group to re-negotiate their long distance revenue settlement system. Bell saw this as a challenge to their future ability to market services on a national basis (Hockin, et. al., 1985:84). These notions of viewing Bell revenues as "integral", and the slow but steady introduction of competition into private line access, customer premises equipment, and the restructuring of long distance rates, gave Bell plenty of reasons to re-think its corporate structure and its relationship to users, providers and regulators.

If recent moves by the CRTC and the Americans presented challenges, they also provided opportunities to Bell. On the positive side for the phone company, the prospect of increased revenues from non-traditional sources such as cable television and international services markets was becoming apparent. By 1978 it was clear to the leadership of Bell Canada that the next two decades would lead to radical changes in telecommunications in Canada. The central concern of Bell's upper management, particularly the astute business

sense of C.E.O. Jean deGrandpre, was how to adjust to change in Canadian telecommunications while maintaining, or even expanding, Bell's already lucrative revenue and profit base. The moves made by Bell under deGrandpre over the next ten years are central to understanding the Canadian telecommunications sector today in terms of the influence of continental forces and competition. At the time of reorganization, he put it this way:

There remain several matters which need to be resolved in the very near future so that we may assume our proper role in this changing environment as a (1) provider of local and long distance telecommunications services at reasonable prices, as (2) an aggressive competitor in the telecommunications marketplace...(1981 "Annual Letter to Shareholders:1-2).

Let us begin the assessment of the events that brought Bell to this position with a more thorough examination of events in the United States. As in resale and sharing, enhanced services, and MTS/WATS competition, Canadian corporate and policy elites began to import important aspects of recent American events and decisions into the Canadian context.

(j'). Developments in the United States Cause Bell to Re-Think Corporate Strategies: A prelude to the Importation of American Policy

CRTC Telecom Decision 1979-11 made Bell acutely aware of the fact that the CRTC could well decide to open the long distance market to competition the way that the courts, the

Justice Department and the FCC had done in the United States. In fact, the emergence of competition in the United States was a strong factor motivating the Bell reorganization plan in Canada as we will see shortly. CNCP was now restructuring and preparing for exactly that next step in the introduction of competition in Canadian MTS\WATS as MCI had achieved in the Execunet Decision [discussed in Chapter Six].

The introduction of competition in customer premises equipment (CPE's), mirrored the implications of the Carterfone decision in the United States several years before. As we saw in Chapters Five and Six, issues of resale and sharing were now emerging to join calls for open long distance competition from major users such as the CBEMA [now ITAC], CADAPSO, CBA, CMA and other major users. Competition in the United States, coupled with the divestiture of AT&T, would present Bell with special problems in the future if the company did not act to re-configure its relationship with its subsidiaries, its competitors and the regulators now under siege from a much more aggressive corporate user lobby.

In January of 1982 the United States Department of Justice reached an agreement with AT&T that would result in an eighteen month process of the reorganization of AT&T's operations and the divestiture of the operating companies that provided local service. AT&T was now a leaner, more

internationally minded firm, as the following statement from its C.E.O. in 1981 warned:

The focus on domestic policy, however, should not lose sight of the fact that the welfare of our nation and the strength of its economy mandates a favourable balance of trade in the increasingly global marketplace for telecommunications products and services ... Surely it would disadvantage our country in foreign markets were the Bell System to be denied the opportunity to exercise its full strength in the face of competition with overseas suppliers (Charles L. Brown, 1981, cited in Dan Schiller, 1982:97).

Competition would now be firmly established in the United States by the end of the divestiture. Bell saw that the time was right to reorganize its structure in order to cope with what it saw as mounting pressures from south of the border that might soon change the face of Canadian telecommunications (Hockin, et al, 1985:88). Since December of 1980, when the United States Justice Department vs. AT&T case was at its zenith, Bell began to study possible corporate reorganization. During the period of reorganization, Bell was motivated by three main concerns each linked to recent events in the United States: (1) the potential of losses from the structural separation of some of its profitable subsidiaries like Northern Telecom; and, (2) the potential for loss from the introduction of competition if there were no clear boundaries between Bell's competitive and non-competitive firms; and, (3) the fear of the loss of traffic to United States carriers (operating legally or illegally to

access Canadian messages).

(a) Structural Separation

In January 1977, the Director of Investigation and Research for the Combines Investigation Act submitted material to the Restrictive Trade Practices Commission, arguing that the public interest would be better served by dissolving Bell Canada's ownership ties with Northern Telecom (Bell Canada, 1981, Form 10-K:5-6). The outcome of this case saw Bell able to maintain its ownership of Northern Telecom under the condition that open, competitive bidding took place in the future (Ibid:6). AT&T's divestiture of the Bell Operating Companies enabled it to keep its equipment manufacturing arm, Western Electric. Bell, seeing the potential for loss from possible moves to structurally separate Northern Telecom, wanted to restructure on its own terms, not those dictated by the CRTC or the courts. When we consider that Northern posted a profit of \$8.2 billion for the year ending December 31, 1991, we can see the wisdom of Bell's moves a decade ago (Surtees, January 22, 1992:B1). Northern continues its global expansion, with annual revenues from its Mexican subsidiary alone reaching \$80 million in 1991 (Luxner, January 18, 1992:B17).

As in the AT&T case in the United States, the proposed

reorganization of Bell Canada could have involved major structural changes to the overwhelmingly dominant telecommunications carrier in the country if Bell had not taken the offensive. Also evident in each country was the perception that telecommunications would play a central role in economic development in the foreseeable future. The task for Bell was to seek structural change without incurring divestment losses to the holdings of the Bell Group. Such a divestment might have meant that Bell would lose some or all of its right to hold shares in its more than seventy companies. Of special importance were Bell's 24.6 percent share of Telesat, and its 100 percent control of Bell Northern Research and Tele-Direct Publishing [the lucrative yellow pages business]. Under the reorganization plan these and the other holdings not directly related to the telephone business would be transferred (via stock transfer), to the new parent company, BCE. The Bell Canada strategy, in light of developments in the United States was to go on the offensive before the company was put on the defensive as had happened to AT&T.

Influencing this more aggressive stance on the part of Bell Canada was the changing role of user groups and the significance of their demands before policy makers. One clear lesson emerging from the United States scenario was

that telecommunications was coming to be seen as too important to be left to the telephone monopoly. The group promoting this stance had one major advantage in both countries; as the dominant corporations in the economy they were the only collective economic force with enough economic and political power to challenge the telephone companies. If they chose to bypass the public network, it would be difficult for the dominant carrier and the regulators to act to curtail them.

(b) Competition and Bypass

The Telecommunications Worker's Union (TWU), argues that the main reason why Bell has sought to restructure MTS/WATS rates rather than fight Unitel competition in a more direct, head-on battle, is the result of activities affecting AT&T in the post-divestiture period in the United States (TWU, January 1988:4). As Bell has put it:

There are a number of sources of pressure for a rebalancing of telecommunications rates. Should a decision be made to increase competition in the provision of long distance services, this would increase pressure to redress the current rate imbalance. The Company therefore believes that local and long distance rates must be moved closer to costs regardless of the decision with respect to increased competition (Bell, May, 1984:5).

A look at AT&T share prices since 1984 gives us a clear indication of the implications of the TWU's accusation, and

Bell's greater concern with rate restructuring than with competition in MTS/WATS. AT&T's share price have moved from about \$16 in 1984, to about \$40 in the middle of 1991--a gain of about 250 percent. The Regional Bell Operating Companies have experienced similar dramatic rises. While other companies in Standard and Poor's "100 Index" experienced 88 percent growth on average, between 1984 and 1991, Ameritech moved upwards from \$20 to \$84 per share [over 400 percent], Bell Atlantic rose from \$16 to \$48, Bell South from \$20 to \$48, Cincinnati Bell from \$3 to \$24, NYNEX from \$30 to \$80, Pacific Tel from \$4 to \$40, Southern New England Tel from \$10 to \$32 and Southwestern Bell from \$20 to \$50 per share (Unitel, November, 1991:2). With the right separation of competitive and monopoly [regulated] activities, Bell was in a position to join the American telephone companies in this profit surge. According to the Globe and Mail, Report on Business Magazine, June 1987, Bell Canada Enterprises was the first Canadian company to record over \$1 billion in profits during a single year. BCE's profit for 1991 stood at approximately \$1.3 billion (corporate annual report).

At the time of its reorganization bid, Bell expressed its concerns about the possibility of increased bypass of the Canadian network if rates were not restructured. Regardless of whether or not there was competition, Bell wanted to

restructure both its rates and its corporate structure to prepare for the emerging competitive environment in North America, due to moves in that direction in the United States. Bell expressed this concern to the DOC in 1984:

The telecommunications pricing dilemma is not unique to Canada; it continues to receive considerable regulatory, political, judicial, consumer and industry attention in the United States. The consequences of decisions in the United States have become well known due to extensive media coverage and the highly interrelated economies of the two countries (Bell Canada, 1984:6-7).

With the impact of development in American telephony in mind, let us turn now to an examination of the series of events leading up to the reorganization of BCE in such a way that we may see more clearly the eventual winners and losers from this move.

(iii) Getting Reorganization on the Agenda in Canada: Bell Restructures on Its Own Terms

By 1976 Bell Canada was the outright parent or significant shareholder of over 74 companies. As the parent firm in a holding of vast real estate, mining, manufacturing, equipment, services and financial institutions, Bell Canada was more than just a telephone company. Bell had employed its special status as a public utility wisely in the effort to build this corporate empire world wide (see Babe,

1990:188-189). The response of Bell's chairperson to the issue of CPE [customer premises equipment] competition in Canada is indicative of the company's thoughts about reorganization and increasing competition that would soon lead to the company's change of heart on the role of the public service concept:

The CRTC's interim decision on terminal attachment of August 1980 introduced competition into an important part of Bell Canada's business and it is not expected that the Commission's final decision will significantly alter the direction of that interim decision. The reorganization will provide a more flexible corporate structure to respond to emerging competition in the telecommunications business (Bell Canada, July 9, 1982:3).

A good deal of scholarly research on the Bell Canada reorganization has focused on the CRTC's decision to consider revenues considered "integral" to Bell's telephone business. This research, typified by Kennedy (1988), focuses on the question of whether or not Bell achieved "regulatory bypass" in its reorganization effort. That is, did the company succeed in restricting the purview of the regulator over companies purchased and developed by Bell with money from telephone operations profits? As the succeeding pages will show, this is undoubtedly the case. After the CRTC had replaced the CTC in 1976, it began to take into consideration non-telephone revenues as part of Bell Canada's total revenues for the purposes of setting telephone rates. This

action meant that, for example, profits from Bell's real estate holdings might be considered as telephone company revenue when the CRTC held rate hearings. The CRTC's reasoning here made good logical sense. Since Bell had purchased other companies' shares with revenues from the telephone business, then why shouldn't revenues from these investments be considered in the overall economic performance of the company as a regulated utility? Such regulatory policy stimulated Bell to seek a clearer structural separation between its regulated activities and its non-regulated holdings in order to prevent the CRTC from accessing other, i.e. non-telephone, revenue. However, a far more critical question for this thesis, is the extent to which reorganization was motivated by, and a response to, emerging trends towards competition and the demands of user groups. As in resale, sharing, enhanced services, and MTS/WATS developments, reorganization must be considered in light of the changing demands of Bell's largest users in response to international developments.

As the Wall Street Journal put it:

Canada's largest telephone company may soon remove its most profitable and fastest growing operations from the regulators scrutiny. ...In effect the company plans to turn itself inside out. A new unregulated company, Bell Canada Enterprises Inc. will be the parent of 80 companies. BCE will own them directly, thus shielding almost all the

units from regulation (cited in Hockin et. al., 1985:75).

Far more important in Bell's reorganization design was the role of its primary users who demanded less expensive long distance telecommunications services, as their parent companies and competitors in the United States were getting from competition and rate restructuring. For some time Bell Canada's regulatory and government relations department had attended FCC hearings, American court proceedings, industry seminars and other public events involving changes to the telecommunications network south of the border (see Bolter, 1983:2 and Hockin, 1985:392).

Their monitoring of the United States environment made Bell Canada officials acutely aware of the full implications of CNCP's first bid to open Canadian common carriage of telecommunications to increasing competition. CNCP's promise of lower business telecommunications costs appealed greatly to many of Bell's oldest and largest customers. Bell saw from the unraveling of the U.S. scenario that it had to act swiftly and decisively to avoid competition. Bell policy now was to provide less expensive business rates while preparing itself for the very real possibility of more open competition in Canadian telecommunications as much as still possible. Its first move in this regard was to reorganize.

Reorganization held two immediate benefits for Bell:

(1) It allowed Bell structurally to separate its holdings and move much revenue away from regulatory purview; and, more importantly, (2) It set the company apart as a new corporate form from its traditional place in the public utility framework, thereby enabling it to meet increasing demands for competition and lower business rates more aggressively. If competition came after reorganization it would have an impact on Bell the telephone company as a subsidiary of a new parent, Bell Canada Enterprises, and competition would be met by a new kind of Bell Canada--one cleansed of as much as possible of its public utility obligations from the past [Figure 7-1 shows Bell's corporate form prior to reorganization; Figure 7-2 shows its form after reorganization]. Events in both Canada and the United States signalled that the time was ripe for Bell executives to act if the company was to ward off significant problems in the future. But we should not forget that Bell had had designs on a new corporate face for some time.

In the middle of the 1960's Bell became an increasingly aggressive player in the Canadian corporate world. As Bell continued to diversify outside of its traditional telecommunications facilities, concerns were raised that Bell had begun to supersede the limits of the Bell Canada Act, the charter which had originally set down the scope of Bell's

operations. The CRTC's predecessor, the CTC, sought to limit Bell's expansion but the company pressed ahead (Babe, 1990). In 1967 Bell responded to the CTC and the claims of its competitors by petitioning Parliament to revise its charter. Jean deGrandpre, then Bell's legal representative and later its C.E.O., argued that Bell sought to redefine its activity to include "telecommunications" rather than merely "telephones", and that Bell "did not intend to be anything but an excellent common carrier ...That is what we have said in the past and that is what we intend to do in the future" (Bell Canada, 1967:72 in Babe, 1990).

Although Bell did get the language change to define its activities as "telecommunications", the parliamentary committee argued that Bell's powers should be reduced. Bell was expressly prohibited from holding broadcasting licences, and directed to remain a common carrier. Still, by 1976 Bell Canada had a corporate empire in place, ensuring that its vast acquisitions were held by its main subsidiary Northern Electric, or through its intermediary companies in the telephone operation business (Babe, 1990:186).

When the more aggressive attitude of its new regulator and the emergence of threats of competition pushed Bell to seek reorganization, the company's first move was to have its official corporate status amended, which meant that the

company could act on acquisitions in the same manner as other corporate players in Canada. After much wrangling with concerned members of parliament in 1978 (see Babe, 1990:186-87), Bell won the battle to have the prohibition against telephone companies, by having section 16 of the Canada Corporations Act added to their charters (Statutes of Canada, 1978-79, clause 9, 84 (3) cited in CRTC Telecom Notice, 1982:31). On April 20 1982, Bell filed Articles of Continuance with the Department of Consumer Affairs under the Canada Business Corporations Act (261, 1-3), to bring Bell under the same law as other Canadian corporations. (CRTC Telecom Notice, 1982:49). The significance of Section 16 of this Act is that it enables a company to invest freely in other companies. Bell was seeking official recognition of what had become its corporate policy for more than a decade.

This move was a clear indication on the part of Bell that in the face of demands for competition and more hostile large user groups, the company would abdicate its special status as a public utility company, and act as just another powerful corporate player in Canada. The public utility status that had made Bell the dominant common carrier in Canada, was now an impediment to growth in the age of competition and rapidly changing

Figure 7-1

Bell Canada Prior to Reorganization

* Provincially regulated telephone companies

** Bell Canada International Management, Research and Consulting

Source: Bell Canada, Reorganization of the Bell Group and its Implications, July 9, 1982.

Figure 7-2

Bell Canada After Reorganization

* Provincially regulated telephone companies

** Bell Canada International Management, Research and Consulting

Source: Bell Canada, Reorganization of the Bell Group and Its Implications, July 9, 1982.

technology. Just as the public utility concept was becoming a relic of the earlier period of high Fordism, Bell's public utility status had outlived its usefulness to the point where it was a real impediment to corporate growth in the period of neo-Fordist market regulation, lower rates for business, and possible competition. On June 23, 1982 Bell announced its proposed reorganization. In his letter to employees and shareholders (July 9, 1982), Bell President deGrandpre was clear that competition was a prime concern for the company as it entered its reorganization period:

...Bell Canada has progressed from what was essentially a local telephone company to a complex multinational organization of more than 80 companies. At the same time competition has been introduced into certain sectors of the business ...The establishment of this new parent company will allow the Bell Group greater flexibility to manage and augment its business activities and operate more effectively in an increasingly competitive marketplace. (Bell Canada, July 9, 1982:1).

By 1982 the assumption that competition was an imminent part of the future in Canadian telecommunications meant that Bell was never asked to provide evidence of formidable levels of competition, either actual or predicted. As Bolter suggested at the time of the reorganization, Bell Canada seems to have attempted, and to a large part successfully achieved with the passing of Bill C-13 (the Bell Reorganization Act), the worst of all possible worlds for

both its would be competitors and its regulated subscribers. BCE would lead a telephone company where regulators had lost oversight of the actual leaders of the organization, competitors would face a mammoth dominant carrier that had not suffered any structural losses and divestiture [as had AT&T in the United States], and regulated customers would not be reimbursed for any assets leaving the public utility for the new parent company (Bolter, 1983:17-19). All the while the Federal Government approved of the move:

The reorganization is consistent with the Government's attitude towards increased competition and industrial development in the high technology communications sector...the Government has been indicating for some time that all Canadian companies should make changes to enable them to be more competitive in foreign markets (Minister of Communications, Francis Fox, October 25, 1982, in Hockin, et al, 1985:78).

Because of its prior change in corporate status, when it came time to proceed with the reorganization Bell was able to avoid the conflicting environment of Parliament and proceed directly to the Cabinet level for approval. No doubt due to the size of Bell, its unpopularity with large user groups, and general public suspicions about the reorganization plan, then Communications Minister Francis Fox pressed for an Order in Council which resulted in a number of key questions being referred to the CRTC pertaining to the possible impacts of reorganization. The Orders in Council (P.C. 1982-3253 and P.C. 1982-1983-862) called upon the CRTC to hold hearings to

consider the following four questions: (1) Will the proposed reorganization result in increased rates for Bell Canada subscribers, and if so, for what reasons and to what extent? (2) Will the proposed reorganization impair the ability of the CRTC to exercise its mandate? If so, specify how and to what extent? (3) If any impairment is identified in response to question two, what modification would be required to the proposed reorganization to eliminate or mitigate such impairment? (4) If the proposed reorganization is implemented, should there be limitations on the scope of the activities which may be conducted by the Bell group of companies? If so, specify these limitations (Canada, CRTC, April 18, 1983:iii). Note how the questions posed by the Privy Council successfully side-stepped the implications of the reorganization for competition in Canadian telecommunications.

An understanding of the role of user groups in the environment that moved Bell towards corporate reorganization sheds light on important themes in Canadian telecommunications policy making today. By understanding the positions of user groups in the 1970's, we better understand the relationship between high volume telecommunications users and providers through the intermediary of the capitalist state. By understanding how the user groups have influenced

the policy process, we are able to better understand the vital role that class power plays in the policy process.

As was detailed in the preceding chapters, there existed little organized user group activity in Canadian telecommunications prior to the middle of the 1970's. The economic crisis of the early 1970's forced companies to rethink their cost-profit ratios which brought telecommunications expenses to the fore. While telecommunications costs mounted, the revenues of the telephone monopolies soared to unprecedented heights [the contributions of the telecommunications sector, growth of the telephone industry and overall Canadian economic performance is presented in Appendix Three. These tables reveal that the telephone industry has remained a high growth sector throughout the recent crises of Fordism].

This success and growth, relative to the rest of the key economic players in a crisis-ridden economy, made the telephone monopoly a target for much criticism from its major users. Thus, when reorganization proposals were made, many of these users, allied with CNCP's stake to provide competitive services alongside of the Bell-Telecom Canada network, spoke in agreement with the move. For the most part the reorganization was seen by the major users for what it was, an attempt to prepare for competition. If the large

users' concerns could be satisfied, then all in all the reorganization was a good thing (with some reservations).

The major users feared that reorganizing would certainly make it more difficult to regulate Bell and possibly, even more difficult for a firm like CNCP to offer viable competition. The user groups tested the Bell reorganization plan on three main issues:

- (1) Rates and profits (would reorganization mean higher rates for corporate customers or would it lead to rate restructuring?);
- (2) Regulatory Bypass (would the reorganization impair the ability of the regulators to access necessary data in forthcoming MTS/WATS cases?); and,
- (3) The scope of Bell's activity (many users sought to ensure that under the reorganization plan Bell's financial flexibility would not make it more difficult to implement a competitive framework that groups like CBEMA, CICA and CMA and the CBEMA were working towards).

All of these concerns revolve around one central problem for the major users: How would the Bell reorganization affect the future of telecommunications costs and the possibility of lowering these costs through competition? Bell argued that none of its subscribers would find adverse rate increases due to the proposed reorganization (Bell Canada, Evidence to CRTC, 1982). The Canadian Industrial Communications Assembly (CICA) expressed concerns that BCE might provide insufficient equity financing to Bell as a strategy to force the commission to approve a higher than

necessary rate of return on regulated common equity. CICA challenged BCE's position that it would be in BCE's best interests to ensure that Bell was not placed in jeopardy by a financing policy of the holding company, arguing that BCE would be tempted to "divert equity capital to other subsidiaries" as they might offer potentially higher returns (CICA response to CRTC Telecom Notice 1982-49:3-4).

The Director of Competition for the Combines Investigation Act and NAPO also took this position (Canada, CRTC April 18, 1983:23).

CICA also questioned the extent of regulatory bypass created by the reorganization. Bell argued that, after reorganization, there would be no structural impediments to the CRTC's ability to obtain information and records relevant to its mandate. In support of this, Bell cited sections 325 through 335 of the Railway Act as well as sections 45, 46, and 74 through 82 of the National Transportation Act. CICA acknowledged that subsection 335 (2) of the Railway Act and subsection 74 (1) of the National Transportation Act provide the CRTC with the authority to demand the disclosure of specific existing documents from affiliated companies of the Bell Group. However, CICA expressed concern that the commission would not be able to demand such data from affiliated companies that were no longer controlled by Bell

Canada. If reorganization were to go ahead, CICA asked that the Railway Act be amended to permit the Commission access to such documentation. The CRTC acted on this recommendation in its final report requesting that such amendments be made, to ensure that the Commission could continue to fulfill its statutory mandate (CRTC, Reorganization Report, April, 1983:35).

Major users were most concerned with the scope of Bell's activities after reorganization. Bell argued that the terms of the proposed reorganization were designed to respect CRTC Decision 85-19 regarding which activities were integral to Bell's regulated businesses and which were not. It was the Bell Group's contention that corporate decisions about which subsidiary to conduct operations through were strictly a management matter and should not be dictated by the CRTC. Bell argued that the CRTC had no need to ask that it be further empowered to require that particular activities be conducted or that particular services be offered through a subsidiary chosen by the CRTC (April 18, 1983:38).

Not only NAPO and the Director took exception to this claim, but so did CICA and the Canadian Telecommunications Group (CTG). CTG took the position that Bell's terminal equipment business should be conducted through a separate affiliate (CTG, Evidence to CRTC, 1982). CICA added that

Bell should be required to offer enhanced services through a separate subsidiary (CICA, Response to CRTC Telecom Notice 1982-49:4-5). CICA went on to argue that Bell should be limited to common carrier services. Thus, CICA argued, if the CRTC was to deal adequately with the issue of enhanced services after the reorganization, it would be essential for Bell to be subject to the common carrier and regulatory oversight provisions of subsection 5 (3) of the Special Act concerning Bell's activities. The CRTC took these claims seriously, requesting in its report to Cabinet that it be empowered to direct Bell to conduct competitive services through a separate subsidiary and that the non-competitive services be offered through Bell Canada (as a subsidiary of BCE in the post reorganization period) (Canada: CRTC, April 18, 1983:5ff). This recommendation satisfied the concerns of both CTG and CICA each of whom were especially interested in promoting the availability of competitive enhanced services.

On the whole, CTG and CICA were very successful in having the CRTC respond to their concerns about any possible negative side effects on major users of telecommunications due to the reorganization of Bell Canada. In the end the Commission recommended statutory limitations that would prevent rate increases, maintain CRTC jurisdiction, and guarantee the separation of competitive and non-competitive

services at Bell Canada under the new parent BCE. The user groups could now accept the BCE reorganization proposal and continue to work for competitive telecommunications services, especially in the long distance market, while Bell could reorganize as it saw fit.

One thing that clearly emerges from an assessment of the BCE reorganization is that the user groups were not as much opposed to reorganization as they were concerned about the possible negative side effects of the reorganization of future competition in Canadian telecommunications. The reorganization could be seen as a boon to competition from the perspective of the major users, provided that certain safeguards were in place. The concerns about enhanced services were especially critical for the major users. Following the CRTC's acceptance of their position and the Commissions call for legislative safeguards to be put in place, user groups expressed their delight to the media. Although consumers groups and NAPO are expressing reservations at the CRTC's handling of the case, CICA Chairperson Peter Godfrey said he was happy with CRTC's response to user concerns and hoped the Cabinet would approve the changes quickly ("Green Light on Bell Inspires Mixed Reaction", Globe and Mail April 19, 1983: B1, B11).

Conspicuously absent from the CRTC's hearings concerning

the proposed reorganization was CNCP Telecommunications. This absence is understandable, considering that the proposed reorganization put CNCP in a difficult position. As it was essentially a move to prepare for a more competitive environment in Canadian telecommunications, CNCP was faced on the one hand by a reinvigorated Bell under a powerful parent. This would make Bell a very strong, potential competitor for CNCP with a state of the art management structure. On the other hand, CNCP could hardly protest the move because of the delicate relationship it held with Bell's major users. These users were strong allies of CNCP as it continued to press for open competition in Canadian telecommunications. To challenge the reorganization would be to offend some of its strongest supporters such as CTG and CICA. As we saw above, the user groups had concerns about the impact of reorganization but generally favoured it for competitive reasons, provided certain legislative safeguards were guaranteed. Rather than risk alienating its potential supporters in the next round of the struggle for MTS/WATS competition, CNCP decided not to present evidence at these hearings.

We should also note at this point that CNCP earnestly believed it would be allowed to compete, and saw the reorganization as part of overall preparation for competition

in Canadian telecommunications. CNCP therefore countered the Bell reorganization efforts by making its own restructuring an immediate priority. In 1980 CN and CP, having worked together for almost five decades, made the marriage official. Equipment suppliers, interconnect companies and would be users could petition the CRTC with their concerns; meanwhile CN and CP Telecommunications sought to better organize their own corporate facilities, management and networks. CNCP [the forerunner of today's Unitel Communications], focussed its attention on the data communications services business. The two parent companies launched a new company, independent of CNCP, called Telecommunications Terminal Systems (TTS), to compete with Bell and Northern Telecom in the newly opened customer premises equipment (CPE) market. Following the 1979 decision to allow interconnection for private line competition, CNCP steadily forged a communications network that would eventually test the regulator's resolve on open MTS/WATS competition as we have seen. The winners and losers from those cases have been discussed at length above. Now let us turn to the winners and losers from the BCE reorganization case, and their relationship to those same winners and loser in resale, sharing, enhanced services and MTS/WATS, as we prepare to assess winners and losers from changes to international telecommunications policy in Canada

in Chapter Eight.

(iv) Winners and Losers

Although both CICA and CTG expressed delight with the CRTC's handling of the proposed reorganization, the National Anti-Poverty Organization and the Canadian Consumers Association expressed many concerns following the CRTC hearings (Globe and Mail April 19, 1983: B1, B11). Following a brief review of these concerns, an assessment of the overall winners and losers in the BCE reorganization can be made. Eight years of historical hindsight will be employed in this consideration.

NAPO's chief concern, the possible negative side effects that the reorganization might have on universality by way of greasing the wheels of competition in Canadian telecommunications. NAPO was concerned about many of the issues involving major users as discussed above, but from a different perspective. While CICA, CBEMA, and the CTG were considering how reorganization might limit potential competition, NAPO was concerned by the reorganization's impact on public oversight and universality. Thus, NAPO argued that there must continue to be public (regulatory) oversight of the activities of Bell Canada as a telephone company (NAPO response to CRTC Telecom Notice 1982-49:2-4).

NAPO also argued that the new management structure should not be allowed unquestioned discretion over the allocation of activities between Bell Canada and other BCE subsidiaries (Ibid:6-7).

The Consumers Association of Canada joined NAPO in these concerns. CAC felt that Bell's subscribers should be entitled to a share in the capital gain on Bell's investments, arguing that the proposed reorganization would move assets built on public telephone revenues and profits away from Bell Canada to its new parent company (CAC, Response to Telecom Notice 1982-49:6). To substantiate its claim, CAC argued that the fair value of the investments in question was not their historical cost alone, but also "Bell's investment in the retained earnings of its subsidiaries". According to the CAC, Bell's investment in these retained earnings of subsidiary and associated companies should be considered from the time of the initial investment. Using 1960 as a starting point, CAC calculated that these investments by Bell amounted to a minimum of \$114.9 million before compound interest was added (Canada: CRTC, April 18, 1983:38).

There existed a sound logic underlying the CAC's position in this matter. By arguing for a subscriber share of the capital gain on Bell's investments before these

subsidiaries were transferred to BCE the CAC was saying that consumers should be compensated, to the extent that subscriber rates were higher than actually required by Bell if these investments had not been made in the first place. After all, why should Bell customers paying for investments in real estate and other non-telephone ventures with their telephone bills? NAPO argued that when Bell made investments outside of its statutory mandate, these investments should be seen as being held in trust for Bell's subscribers (Ibid:15). Interestingly enough, the counsel for the Province of Ontario argued on Bell's behalf against NAPO and the CAC, stating that "subscribers are not investors" and therefore have no proprietary rights to the investments in question (Ibid).

A third public interest group, Action Bell Canada (ABC) was formed by Ken Rubin. ABC argued along the lines of the CAC, but went further to charge that the CRTC had successively failed to ask the proper critical questions about the reorganization in recent rate applications of the company:

We hope that the CRTC will act to drastically modify Bell's application. Without such action, which the CRTC has the power to do, we do not see a possibility of meaningful participation by the public in your deliberations. Blanket acceptance of this Bell application is a form of collusion which can no longer be tolerated. ...Subscribers seek an accountable telephone company (ABC response to CRTC Telecom Notice 1982-49:1ff).

Despite the efforts of CAC, NAPO and ABC, Bell's major users, who certainly could have argued that they deserved a healthy settlement for these Bell investments as they paid much of the bill, said little in this matter. CICA, CTG, and CBEMA did refer to a number of court decisions in the United States that rendered such appreciation on investments back to telephone company subscribers. But the major users argued that such decisions were not relevant in Canada. Although they understood that Bell had used profits from its telephone operations to invest in companies clearly distinguishable from the telephone company, the major users argued that for rate making purposes over the 1966-79 period, these investments were made in such a way to be in the subscribers' interests. Thus, the major users would not press for a reimbursement.

The CRTC accepted this logic as presented by these users and the Province of Ontario and added that CRTC Decisions 80-14 and 81-15 had explicitly protected subscribers' against any future investment abuses or undue risks to subscribers rates from bad investments. Speaking to prior years, the CRTC said that its forerunner, the CTC, did not apportion a share of such capital gains and investment rewards to subscribers: "In the present context, the Commission sees no reason to deviate from this approach"

(Ibid:16). It was the CRTC's position that Bell subscribers may indeed have subsidized investments that were now being taken away to a new parent company, but that in doing so customers had received adequate service in exchange for these subsidies. Certainly in the forefront of this reading of the situation by the CRTC was the fact that a settlement of accounts of the kind desired by the CAC, would imply that past CTC and CRTC decisions on rates were not just and reasonable. The CRTC flatly refused to perform a retroactive assessment of the justness and fairness of its past decisions, and allowed Bell to keep its capital gain without reimbursing subscribers for profits made on investments derived from telephone revenues. This was a clear loss for CAC, ABC and NAPO. From the position of the CAC, ABC and NAPO, the very creation of BCE was akin to "privatization". Investments, as well as former publicly regulated holdings of a public service company like Northern Telecom, slipped away from regulators. More importantly, all of BCE's holdings were bought from profits it garnered from the telephone business in the first place.

Bell and its users, each of whom has subsequently argued for more competition and continued rate rebalancing in Canadian telecommunications were the clear winners from reorganization. As in the United States the dominant

telephone company has been able to adjust to changing times quite well. Bell Canada's victory is especially clear when we consider the actions of the company in the years after the reorganization was approved.

Immediately after the reorganization was completed, Bell began to make a number of key acquisitions. Within eight months BCE acquired 11.8 percent of the Trans-Canada Pipeline Company Limited (TCPL). By 1986 this share had been increased to 48.5 percent (Bell Canada Enterprises, corporate annual report, 1987). By 1985 BCE held a cash surplus of almost \$500 million (Annual Report, 1985). The real test of the new Bell Canada Enterprises was proven in its increasing assets base and their relative value. Between 1983 and 1987 BCE's assets rose 75 percent from approximately \$15 billion to over \$26 billion. Revenues to the giant holding company rose from \$8.9 billion to \$14.6 billion, an increase of almost 70 percent. Profits rose from \$830 million to \$1.09 billion over this same time period. By 1987 BCE was the first company in Canada to boast over one billion dollars in corporate profits for a calendar year (Financial Post, "The Top 1000 Companies in Canada", 1982-1987). As a result of reorganization, these profits were no longer part of Bell Canada's balance sheet but that of its new parent BCE. As such, a large portion could not be considered by the CRTC in

determining just and reasonable rates for the telephone, despite the fact that telephone revenues had provided the profits with which many of them were originally purchased by Bell. More than this, reorganization helped Bell gear up for the increasingly competitive and market oriented (privatized) telecommunications environment of the 1980's.

During the post-reorganization BCE has been the primary beneficiary of privatization in Canadian telecommunications over the past six years. For example, in 1987 BCE took over 30 percent of Memotec, the company that went on to win the vast assets of the privatization of Teleglobe Canada in 1988. At the time that privatization was announced, Teleglobe had assets in excess of \$600 million with an annual profit approaching \$50 million (Ontario, June, 1985:3). Shortly thereafter, BCE went on to acquire Terra Nova Telephone Company and the North West Telephone Company for \$370 million. Both of these companies had been formerly owned by the people of Canada through the federal government's crown corporation Canadian National Railways (see Babe, 1990:30ff).

We should mention however, that despite this enormous growth and profitability, BCE has sold a number of assets since 1988. According to telecommunications analyst Vincent Mosco, following reorganization Bell made a number of

investments outside of its traditional telecommunications area. Many of these were in real estate and development companies. Mosco says that Bell "took a bath" on many of these investments, realizing significant losses. Under Monty, Bell has moved back into its traditional areas of expertise (interview with Mosco, May 11, 1992). Aside from an effort to cut its losses, these sales may be interpreted as Bell's attempt to streamline its portfolio, especially in light of recent suggestions of Bell's increasing its international activities [see Chapter Eight]. By trimming corporate fat and losing propositions, and by freeing up capital for new acquisitions, BCE has recently suggested that the scope of its future activities will be boundless. For instance, BCE now wants to further diversify its holdings in the microelectronics and information sector, by taking a 70 percent interest in a new joint firm operated with SHL Systemhouse, a major computer systems integrator [systems integrators purchase computer hardware, install customer software and manage and service computer systems for large clients] (Surtees, February 26, 1992:B3). Systemhouse and Bell desire a global partnership to battle overseas telecommunications firms and computer integrators (Ibid). Aside from its interest in Systemhouse, BCE has been involved in another possible global alliance, this time in telephone

service. The new global company, called the Financial Network Association (FNA), is led by BCE and the American based MCI, which led the charge to break the AT&T monopoly in that country. The new alliance will provide a range of corporate communications services from private lines to complete network management. The new FNA consortium is directing its attention at markets held by AT&T and British Telecommunications PLC which have also greatly expanded their multinational services in recent years (Urlocker, March 7, 1992:3). Bell will lead Stentor into the FNA-MCI alliance seeking to "provide integrated network services to the world's leading financial centers" . MCI spokespersons have revealed a similar interest in the financial community with firms from Germany, Hong Kong, Japan, Britain and Singapore which are also expected to join FNA (Ibid). As BCE president J.V. Raymond Cyr puts it:

If we do not run at the front of the pack, we risk getting trampled underfoot. International competition will seek us out, whether we choose to meet it or not" (cited in Surtees, February 6, 1992:B1).

Jean Monty adds that this activity is the basis of Bell's interest in Teleglobe and Telesat at present, as the company is "rethinking the structure of its basic markets in order to maintain strong foundations upon which to build our future" ...one part of the company's strategy "is to solidify our

relationship with Teleglobe Canada, our overseas carrier, and with Telesat, our satellite service provider (Monty in Surtees, February 6, 1992:B4).

Since the reorganization of BCE, Bell Canada has successfully asserted its dominance in Canadian telephony while gearing up for rate rebalancing and increased competition. Early in 1992, Bell won a long fight to have the biggest say in the industry's future; it did so by outmaneuvering the other telephone companies which belong to the Telecom Canada network. The battle resulted in a name change from Telecom Canada to Stentor and important internal structural changes. Jean Monty, Bell Canada president, won greater influence for his firm on how all of Telecom Canada's members develop, market and price new systems and services and set their regulatory strategy (Surtees, January 29, 1992:B3). Monty succeeded in having the veto power of individual members removed, which meant that all Telecom Canada decisions had to be unanimous. Monty argued that the veto "made the consortium less responsive to competition" (in Ibid). Now all product and service development is being done by a subsidiary of Stentor called Telcor. Bell Canada controls 20 of the 40 seats on Telcor's board, giving it the voting power to get just about anything it wants. Teleipolicom, a second subsidiary also dominated by Bell,

will handle all national regulatory, policy and lobbying affairs of Stentor (Ibid). Apparently, the smaller telephone company members of Stentor have also suffered losses in the post reorganization era.

CNCP has made both gains and losses from the Bell reorganization. In 1992 we are still waiting to see the full impact of BCE reorganization on CNCP. As we saw above, CNCP was placed in a difficult position, due to the acceptance of the reorganization bid by its primary supporters in the effort to introduce competitive telecommunications services in Canada--Bell Canada's major users. The reorganization enabled Bell to enjoy the huge benefits of competition in all of its other businesses, while enjoying the benefits of monopoly in its public voice telecommunications network. (For the principles of economic theory behind such organizations and their dual benefit see Alfred D. Chandler's Strategy and Structure (1962)). The real potential loss to CNCP [now Unitel Communications] from the reorganization hangs in the balance of the current CRTC hearings on wide open competition in Canadian public voice services. If Bell is able to convince the CRTC that it can offer the same services and lower rates as would be the case without competition, the CRTC may decide to forego the competitive

alternative in favour of a Bell Canada monopoly with restructured rates. This would give large users cheaper long distance while residential users would pay more for the use of a telephone. The major users would be happy and the CRTC would not have to regulate two companies. This has been Bell's policy since Jean C. Monty took over at BCE from Jean deGrandpre in the mid-1980's. Since that time Monty has promised the effects of competition without the necessity for actual competition (Globe and Mail, June 24 1989:B1,B5). This policy was restated by Richard French, vice president of government relations at Bell Canada, while attending a Telecommunications Policy conference at Ottawa in the spring of 1991. In his spoken presentation, French confirmed that regardless of whether or not there was competition from CNCP (Unitel), Bell Canada was prepared to adjust rates in such a way as to have the same rate structure in place by 1995 whether or not Unitel was allowed to compete:

Bell Canada's most important strategic objective for the nineties is therefore predicated on repricing our services to large and medium sized customers, and introducing new services at competitive prices with a view to retaining those customers on the Canadian public network. ...Furthermore, we believe we can achieve this while respecting the social objectives of telecommunications regulation, as long as we do not have to shoulder the incremental costs of interconnection by so-called competitors, over and above the resellers (French, December 10, 1990:11).

Depending upon whether or not the CRTC accepts this argument, many of the issues in the matter of CNCP-Unitel's existence as a winner or loser from the reorganization will be resolved. In the short run, Unitel's own reorganization and the linking of that firm to Rogers Cable must be seen as an immediate gain in the post-reorganization era of increasingly competitive telecommunications in Canada. The final stakes are yet to be won, but in the shorter run, Unitel has benefited from the overall competitive climate surrounding and following the reorganization effort at Bell. A CRTC decision favouring competition in MTS/WATS would stand as recognition that CNCP-Unitel managed also managed to win important ground in the long run following Bell Canada reorganization.

(v) Summary

The reorganization of Bell Canada has been interpreted as both "regulatory bypass" and preparation for competition. This chapter has argued that while both are true, the issue of competition was paramount in the practices of Bell executives in the successful bid to reorganize. The Bell reorganization did not change the structure of the subsidiaries nor the functional composition of Bell Canada's operations as a carrier [see Tables 7-1 and 7-2]. The scope

of activities of the subsidiaries was unchanged while there was no realignment of the subsidiaries, no changes in the technical or operating functions of the subsidiaries, and no changes in managerial functions that could not have been achieved without reorganization (Melody, January 20, 1983:8). All the reorganization did was to create a new holding company that made Bell Canada a subsidiary rather than the parent of the Bell group of companies (Bell, July 9, 1982:4-6).

What does change is the financial flow within the organization: from subsidiaries to Bell Canada to shareholders to a new flow from subsidiaries, [including Bell Canada] through the new holding company (BCE) to shareholders. Bell Canada no longer determines capital and resource allotments; this is achieved by the directors of BCE [who incidentally were the board of Bell Canada prior to reorganization]. Under the reorganization plan, the CRTC did not have access to all of the necessary information previously at its disposal concerning the financial contribution of subsidiaries to BCE (interview with John Meisel, April, 1990). Meisel was particularly concerned about the Commission's subsequent inability to adequately determine the reasonable cost of capital for Bell Canada, because the company no longer has equity shares outstanding.

The real impact of the reorganization was to allow Bell management to mix monopoly and competitive sectors of its group, while providing for the flexible transfer of capital from monopoly services to new competitive activities. The reorganization increased the ability of BCE to employ its already large and growing telecommunications monopoly to subsidize new ventures inside and outside of telecommunications.

The reorganization of BCE was as much a part of a broader response to potential competition as it was to any other factor. Lessons from the United States had taught Bell that it was wiser to act offensively than to wait for the competition and your major users to take the lead. What is perhaps most interesting in the entire BCE reorganization case--now that we have had time to understand it in the light of Bell policy under Monty--is that Bell Canada is now a leading proponent of the kind of rate structure that CNCP (Unitel) would have brought to Canadian telecommunications by way of competition, or duopoly as is the more accurate term. In this way the reorganization of Bell Canada has paved the way for the company to be a leading proponent of market forms of regulation, with or without a competitor. As Richard French put it:

The nineties will see inter-exchange competition in Canada, because the U.S. telecommunications infrastructure

will become more and more accessible to Canadian users. There is little or nothing Canadian policy makers can do to chart a course independent of this reality. ...Bell Canada proposes to attain...price parity with the U.S. for large and medium sized telecommunications customers by 1996, without increasing prices for local service. We can do this if our collective resources are not diverted into the artificial competition proposed by Unitel...(French, December 10, 1990:17).

Bell Canada, for so long the most vocal advocate of public service regulation in Canada, has now become a primary enemy of this kind of regulation.

The structuralist Jessop (1991) would not find this any more surprising than he would the victory of large users in the introduction of competition. In Jessop's view, an important part of viewing the state as a "social relation" is to understand that state power is selective. Here Jessop is indebted to the heritage of Poulantzas on the state as a unifying element. The fact that Bell, major users, and emerging providers, or representatives of all segments of the dominant block of capital, can all win, is evidence of the selective use of state power to unify the dominant class. For Jessop, the state employs structural sensitivity i.e. it must respond to the dominant economic interests upon which the state relies for its own legitimacy and existence. Thus, the more powerful class forces receive primary consideration in the regulation of the economy. The actions of the Cabinet and its agency the CRTC, in the case of reorganization, as in

resale, sharing and MTS/WATS competition, may be understood from a structuralist view, as power relationships. Thus, the actions of the state, in allowing the reorganization, express and reinforce class power relationships. By allowing reorganization, the CRTC has, in an unconscious but very real sense, functioned to reproduce the long term hegemony of the capitalist class. Subordinate classes are heard, but the concerns of the dominant bloc tend to dominate in telecommunications regulation. The key problematic for the state during the period of reorganization was to recognize the conflicts emerging on the horizon, assess them, and attempt to see that members of the hegemonic class did not engage in excessive conflicts which would threaten the functioning of the system as a whole.

The state's approval of reorganization in this view, may be understood as an effort on the part of the state to ease the transition to an emerging order [neo-Fordism], while seeking to assist in the transformation of the dominant carrier rather than seek its downfall. Ultimately, as we saw in the previous two chapters, the state's efforts in this regard created new tensions and struggles between classes of consumers, and between different classes of producers and consumers as the movement towards competition and the forging of a new social contract continued. In its effort to reduce

tensions and conflict at one level, eruption occurred elsewhere as the state attempted to prepare a new policy position to deal with the demands of the emerging neo-Fordist order.

Corporate reorganization was a major step on the way to this new stance. Beyond resale, sharing, enhanced services, and MTS/WATS competition, tensions have become manifest involving new aspects of Canada's international telecommunication policy. It is these issues to which we now turn.

C H A P T E R E I G H T

INTERNATIONAL CONNECTIONS: THE RESHAPING OF CANADIAN INTERNATIONAL TELECOMMUNICATIONS POLICY

In our view, the next ten years will be the formative years of satellite communications in North America. So much will be happening in satellite communications in this period (ITAC, December 3, 1991:2).

(i) Introduction

To this point we have discussed the emergence of central issues of resale, sharing, enhanced services, MTS/WATS competition and the response of the dominant telephone monopoly [reorganization] to the challenges of user and provider groups for competitive entry. Once again, the state has been forced to respond to the conflicting interests of different class forces. And again, as in other decisions, the state has favoured the interests of the large users and large providers of services over smaller users. One final aspect of this contested terrain involves an examination of powerful domestic and international forces in the area of international telecommunications policy and practice. This chapter examines changes to government policy towards international telecommunications, mainly by way of an investigation of the role of Teleglobe and Telesat. The

historical evolution of these former public sector enterprises reveals a great deal about the vast changes that continue to take place in Canadian telecommunications policy. Teleglobe and Telesat tell us much about Canada's past and present telecommunications policy stance towards the corporate sector and pressures emanating from south of the 49th parallel and beyond in a period of crisis causing rapid changes to international relations.

The evolution of international relations has had a great impact upon telecommunications as we saw in our discussion of resale, sharing, enhanced services, MTS/WATS competition and Bell Canada reorganization. These areas of telecommunications have each indicated that global changes, especially those originating within the United States, are bringing Canada and the United States into a closer geopolitical and economic alliance. The "continental" framework as I have labelled it, is highly visible in telecommunications policy as multinationals in the United States and Canada gear up for heightened competition with European and Japanese firms. As international trading blocs emerge, great pressure has been placed upon policy makers in smaller European nations and in Canada to join greater alliances.

In Poulantzas' terms, the state is put into the position of unifying the interests of the dominant economic class.

Bell and the major users and would-be competitive suppliers may argue over the terms, but it is the role of the state to forge international agreements in the interests of the dominant economic forces in each country. As Fordism has entered a prolonged period of crisis over the past two decades, the state apparatuses of various nations have seen telecommunications and trade policies offered as solutions by powerful blocs of capital, as we saw in each of Chapters Five through Seven. In terms of issues discussed in reference to Alain Lipietz in Chapter Three, the actions of states towards international agreements have been undertaken in the context of evolving regimes of accumulation and changing modes of regulation. As telecommunications comes to play an increasingly central role in the accumulative process, the established Fordist mode of regulation, highly dependent upon public oversight, has been undermined by powerful forces seeking a return to market regulation as in the pre-Fordist period. The remainder of this chapter addresses these concerns by way of an assessment of developments in the United States, and the relationship between these changes and international telecommunications policy-making in Canada. Numerous examples of similar processes in Europe are also assessed. Finally, an assessment of the winners and losers of changes to Canadian international telecommunications

policy is offered. Some research in this area, most notably McNulty (1988), drawing on Innes, argues that:

..through monopolies of knowledge, the development of a domestic satellite system in Canada has been largely controlled by the federal government and the telephone companies. The consequence of this political economic arrangement has been the establishment of a satellite system that has had limited benefit for Canadian society (McNulty, 1988:1).

Although the federal government and the dominant telephone companies remain central players, we can no longer afford the luxury of ignoring the role of powerful users of telecommunications networks in shaping Canadian satellite policy and international telecommunications policy in general in this country.

(ii) Developments in the United States: A Prelude to the Importation of American Policy for Transborder Communications in the Era of Free Trade

ITAC and the Business Council on National Issues [BCNI represents the interests of the top fifty to sixty multinational corporations working in Canada], have liaised for many years with members of INTUG and the Washington based Business Round-table [the United States-based counterpart of the BCNI] (ITAC, July 18, 1988:2). Janice Moyer, president of ITAC informed me in an interview that "ITAC members have worked in conjunction with business leaders in the United States and Europe for many years in an effort to achieve a

unified approach to international communications" (Moyer, Interview, June 4, 1991). When ITAC claims that it is working for "legislative change to bring all regions under a common policy framework to support market forces", it is speaking in more broad terms than just Canadian regions (ITAC, December 3, 1991)

A long-time supporter of ITAC's approach to telecommunications policy [and member of CBTA, CCC and BCNI], the Royal Bank Of Canada, was among the leaders in pressing for more liberal international data flow regulations in Canada. As early as 1984, the Royal was exerting its leadership by bringing together industry leaders, carriers, heavy users, regulators and policy makers from both Canada and the United States. One of these efforts resulted in a conference under the heading "Policy Issues in the Canadian American Information Sector" (Royal Bank: November 17-18, 1983). The tone of most speakers at this conference was anti-monopoly, pro-competition, pro-rate restructuring, and favouring the breaking down of barriers and restrictions on international information flows between Canada and the United States. Then Royal Bank chairperson Rolland C. Frazee argued for more reliance on competition and market forces, and "uninterrupted access to technology, information, and market place forces with less of a presence for government regulators". Laden

with the rhetoric of technological determinism, Dr. Stuart Smith added: "the forces of technology are too powerful and too efficient to be held back by outdated regulatory tools" (Ibid:22). One of the more interesting aspects of this conference was the constant reference to the need for a reworking of trade policy involving telecommunications services flowing between Canada and the United States. Senior United States trade representative Geza Feketekuty outlined the six major issues to be overcome in future trade agreements between Canada and the United States. These involved:

- (1) Issues relating to the procurement of hardware,
- (2) Issues surrounding the movement of telecommunications services between the two countries,
- (3) The deregulation of basic voice and record services,
- (4) Open competition in value added services in North America,
- (5) Deregulation of transborder data flow policies, and
- (6) Reductions in the restrictions on the sale of information services by foreign companies in Canada (Feketekuty, in Royal Bank, 1983:119-26).

Feketekuty stated that multinational corporate information firms operating in both Canada and the United States (including Control Data, G.E. Information Services, and a number of smaller source and data banks resource agencies), were particularly interested in seeing these measures

addressed (in Ibid:126). Rodney Grey of the Royal Bank added that these issues should be treated like any other at formal trade talks (in Ibid:128).

Oswald Ganley of the Harvard University Program on Information Resource Policy argued that American style information policies would be imported into Canada of necessity. He gave nine reasons for this view; among them was his belief that the activities of multinational corporate users in both countries would present governments with no choice but to reconcile differences between Canadian and American policies. Ganley also argued that the actions of the United States government (and others like the United Kingdom and Japan) at international trade meetings like GATT would force Canada and other countries to reform their policies (in Ibid:135). Ganley certainly had an accurate perception of the future. Not only has Canadian policy moved steadily towards American policy since that time, the United States has indeed introduced claims at the GATT that American companies should have unrestricted access to the telecommunications markets of Europe and Canada:

The United States is demanding that Canada and other industrialized countries open their long distance markets to unrestricted foreign competition. The proposals have been made as part of multilateral trade negotiations under the General Agreement on Tariffs and Trade...Under the United States proposal...there would be minimal restrictions on

foreign investment in domestic and international long distance telephone services (Fagan, February 7, 1992:B1).

Regardless of such moves at GATT, the Canada-United States Free Trade Agreement may well see many of the transborder issues described by Feketekuty and Gandy come to fruition.

In recent years, the American government and large users and providers of international telecommunications have placed similar pressures on European administrations. Carl Edgar Law, a telecommunications consultant, monitors European developments for Bell Canada from his London office. Writing on the European Commission, an entity charged by key private sector players with forcing open the European telecommunications market:

The European Commission's aggressive lobbying is leading to a rapidly liberalizing environment for private networks and for terminal equipment markets. This creates new opportunities for United States companies operating in Europe and for United States vendors. ...It is clear that while some traditionalists within the PTTs may seek to limit how far and how fast liberalization occurs, the old order is fading (Law, May 1989:66).

Sounding much like ITAC does in Canada, the European Commission's action program includes the full opening of most services other than voice, telex and data communications; deregulated leased line VAN services, resale, satellite, cellular telephony and paging services; the

division of PTT regulated sectors from unregulated operations [as in the BCE reorganization]; and the full opening of the equipment market across Europe (Law, Ibid:63). The actions of the European Commission are supported by American experts set on the deregulation of international telecommunications networks. Joel Bleeke admits this may not be an easy or entirely painless process: "The opening of Europe may be even more traumatic than U.S. deregulation" (Bleeke, September 1990:158). While countries such as Britain forge ahead with United States style deregulation and all of the ensuing consumer pain and corporate gain outlined in Chapter Six, "smaller countries such as Austria and Norway are continuing the tradition of a strong state role in their economies. This involvement is necessary to ensure national control over the development of the domestic economies and social development" (Reddick, 1991:i). In each of these countries an earnest effort is being made to create bold new models for the private sector, while maintaining universality and affordability for residential users (Ibid:13ff).

(a) Free Trade Agreement and Telecommunications

ITAC believes that to achieve competition in Canadian markets the following action will be required ...developing competitive supply channels through international trade. Reciprocal access to Canadian and international telecommunications

markets, particularly those for network equipment, should be vigorously pursued (ITAC, August 17, 1990:3).

The Canada-United States Free Trade Agreement represents a bill of rights for multinational business operations. The five main objectives of the deal are: the elimination of trade barriers in goods and services; the promotion of competition, the establishment of effective joint Canada-United States administrative procedures; the establishment of a framework for further multilateral agreements [such as the North American Free Trade Agreement]; and the liberalization of the investment climate for business within the trade sector (Mosco, May 1990:47).

Issues such as the procurement of hardware, the movement of telecommunications services between Canada and the United States, the deregulation of basic voice and record services, open competition in value added services in North America, deregulation of transborder data flow policies, and reductions in the restrictions on the sale of information services by foreign companies in Canada have each come to the fore at various times in the past seven years. As Chapter Five has shown, some success on the issue of deregulated basic services has been gained by companies like Call-Net and Unitel before the CRTC. Other transborder telecommunications issues such as the procurement of hardware, the movement of

services, and the deregulation of VANS and data flow networks may well be advancing at an accelerated pace because of the Canada-United States Free Trade Agreement (CUSFTA) and the pending North American Free Trade Agreement (NAFTA) which would include Mexico. The implications of the CUSFTA have caused movement not only on issues relating to movements of services, but also on key issues such as basic services.

The leading researcher on the potential impact of the CUSFTA on Canadian telecommunications policy is Vincent Mosco. Based on his experience in working with policy forums in both Canada and the United States, he has observed that much of Canadian telecommunications policy "is officially about Canada, but it is mainly about the United States". Mosco argues that Canadian policy makers have become blinded by the close proximity of the United States, and that the CUSFTA is an example of this lack of vision. The CUSFTA seeks to phase-in the elimination of tariffs on equipment sales in telecommunications between the two countries. Mosco warns that the key risk however, comes from the "national treatment" guarantee in the deal. This clause means that Canadian companies operating in the United States are to be treated like United States companies; likewise, American companies operating in Canada are to be treated the same as Canadian companies (Mosco, 1989:215). If the CRTC were to

alter its approach to the provision of enhanced services to bring it more into line with the United States view [which it is under pressure from both the private sector and Cabinet to do], Mosco warns that AT&T and MCI could compete for long distance and local services in Canada. This of course would pressure companies like Bell to focus on lucrative markets, raise rates in outlying areas and see technological advances in those areas postponed (Ibid:216). Given the amount of pressure being exerted by multinational corporate users of telecommunications services, further revisions to Canada's definition of enhanced services, and the opening of long distance markets to competition [pending the outcome of the Unitel case], a scenario where United States companies could compete in the Canadian market, with the negative impacts described by Mosco, could soon be a reality. The CUSFTA stands as a significant milestone in the long series of successes by multinational capital to bring Canadian policy in all sectors into line with a more United States style approach. As Mosco puts it:

Lately [Canadian policy] has been about how to best implement United States models of deregulation, privatization, and general reliance upon private markets, even at the expense of such principals as universality and strong public institutions, values that have traditionally distinguished Canada from the United States (Ibid:217).

Unitel would agree. In the present long distance case before

the CRTC Unitel has argued:

We have embarked on a Free Trade Agreement with the United States, a country that leads the world in information/telecommunications technology. Our major competitors, Japan and Britain, rank next to the United States in the world of information and communication--a \$250 billion a year business...We have to act quickly. Our international competitors have chosen diversity. Their businesses ...have already attained its benefits. This has put Canadians and Canadian businesses at a disadvantage--just at the time when we need every trade advantage we can get. We really don't have any choice at all (Unitel, Factsheet, Evidence in Response to CRTC Telecom Notice 1990-73).

Perhaps the most significant fall-out from the CUSFTA as far as telecommunications is concerned will be in the area of enhanced telecommunications services. As we saw in Chapter Five [the Call-Net case], the CRTC has tried to define what constitutes a "basic service" in a broader manner than their counterparts at the FCC in the United States. Mosco notes that Annex 1404, Section "C" of the CUSFTA "specifically exempts the provision of basic facilities and services. Consequently, basic service, including local and long distance voice communication, is afforded some protection" (Mosco, May 1990:54). Yet he warns that the CUSFTA's explicit opening of the enhanced services market (Annex 1408), will require the CRTC to treat American companies operating in Canada as though they were Canadian firms (Article 1402 (7)). An American firm like AT&T will no doubt attempt to cut into the enhanced market in Canada, putting

pressure on the telephone companies here to restructure their rates in order to better compete with the American giants (Mosco, May 1990:54). The results of such rate restructuring efforts are outlined in Chapter Six. While the Americans press forward for access to basic networks at GATT, the CUSFTA provides ample opportunity for international encroachment into Canada's enhanced services markets. In official policy statements the Department of Communication underplays the role of enhanced services:

Canadian policy-makers have long been concerned that the economies of scale of the United States market ...would make it difficult for Canadians to produce or access Canadian cultural products ...in an unprotected Canadian market. Such concerns are not generally extended to less culturally sensitive products and services, such as enhanced telecommunications services. This distinction is found in the Canada-U.S. Free Trade Agreement by which the government of Canada committed to refrain from establishing new barriers to Canada-United States trade in computer services and enhanced telecommunications services (Canada Gazette, Gazette Notice DGTP-09-89, cited in TWU, January 1992:6-7).

As the Telecommunications Workers Union points out, computer services did not enter the trade talks by way of the Canadian delegation, but rather, at the prompting of the international financial services firms like American Express. As far back as 1981, AMEX, Citicorp, Arthur Andersen and Canada's Peat Marwick formed a lobbying group to promote the addition of trade in services to the Canada-United States

trade agenda. American interests achieved initial success in this effort by having the United States government adopt and publish an international declaration on the movement of business data (TWU, IBID:7). The United States has followed this line of demanding access for private networks in foreign lands at GATT ever since (Globe and Mail, February 7, 1992:B1). The United States lobby effort continued to gain momentum; in 1984 the American Congress passed its trade bill granting services the same status in international trade that was accorded to the trade in goods (McQuaig, 1991:52-53). This is especially relevant to our discussion of Teleglobe and Telesat, as their privatizations must be understood in light of the CUSFTA. As Mosco points out, the privatizations of Canada's international carriers are linked to the terms of the CUSFTA as United States firms are guaranteed equal treatment. In order for this clause to be enacted, the government wanted to divest itself of economic interest in these firms, making them fully private operations (Mosco, May 1990:55). Both privatization and the CUSFTA emanate an aroma of policy in Canada over the past eight years--the transition of power from public to private [market] hands, alongside an increasing "Americanization" of Canadian telecommunications policy. Let us now turn to an assessment of the emergence of international telecommunications issues in Canada over the

past fifteen years.

(iii) Getting International Telecommunications on the Canadian Agenda: The Origins of Teleglobe and Telesat

The United States Federal Communication Act of 1933 stands to this day as one of the few communications laws in the world to grant vast rights and privileges to private sector companies. The central thrust of portions of the act pertaining to common carriers, was to divide amongst the leading carriers certain important areas which would be shared by oligopoly or monopoly interests. AT&T was given the area of voice traffic, while Western Union International (no relation to the domestic U.S. Western Union), World Com and RCA Globecom were granted the area of records traffic, later to include Telex (United States Federal Communications Act, 1933: Section 2:14, Table Two, "Common Carriers"). This important legislation, which placed a stamp of approval on private sector corporate operations of United States domestic and international telecommunications systems, which has evolved into a clear preference for private sector carriers in the United States ever since. Central to the development of American dominance in international communication and media flows was the emergence of radio technology. As a chosen instrument of United States foreign policy and communications policy, the Radio Corporation of America

(RCA), engaged in fierce (United States government sponsored) competition with British companies throughout the 1920's and 1930's (Rosenberg, 1982:95). Up to the beginning of the Second World War, Great Britain continued to dominate international telecommunications networks by way of ownership and control of the majority of the world's most important telegraph cable routes. While American companies in many sectors continued to construct vast international networks, it was radio that pushed the Americans towards world communications dominance by the end of WWII (Coulter, 1988:55-60).

British and Commonwealth interests sought to respond to the newly sprung dominance of the United States corporations as early as 1945. In that year the Commonwealth Telecommunications Conference determined that the best way to meet the challenges posed by the United States would be through government departments or crown corporations (Intven and Salzman, 1991:56). In 1949, the Canadian government responded to the decisions of the 1945 conference by creating the Canadian Overseas Telecommunications Corporation (COTC), [later Teleglobe]. As RCA was the United States government's chosen policy instrument to achieve international dominance in radio telecommunications, the COTC would enjoy special status in the effort to realize important economic, political

and strategic goals in international telecommunications (Mosco and COTU response to CRTC Public Telecom Notice 1990-102, July 1991:1-2). The COTC [hereafter referred to as Teleglobe], was provided with the facilities of Canadian Marconi Ltd and Cable and Wireless Ltd., and committed to the principles of public ownership and oversight (Ontario, Ministry of Transport and Communications, June 1985:2).

Since its inception in 1949, Teleglobe has grown successfully to meet the demands of Canadian users for access to international networks. At the end of 1984 the Crown corporation held assets of \$574 M. with annual profits of just over \$40 M. The Canadian government has prevented domestic users from bypassing the teleglobe network with legislation deeming Teleglobe as Canada's monopoly carrier for overseas calls terminating in countries other than the United States (Ibid).

Mosco has recently reviewed the important role which Teleglobe plays in Canadian society. As a major purchaser and driving force behind innovation, Teleglobe investment has supported the development of Canadian technology for Canadian owned facilities. For telecommunications users, Teleglobe plays an important economic role in Canada, as Canadian international telecommunications charges are the sixth lowest of the 24 OECD nations. Politically, Teleglobe also plays an

important role for Canada, as it is our representative to vital international satellite systems such as Intelsat and Inmarsat. Teleglobe also represents Canada at the Commonwealth Telecommunications Organization, the North Atlantic Consultative Process (an arm of NATO), and, as a member of the Canadian National Organization, represents Canada at the International Telecommunications Union (Mosco July 1991:4-9).

In 1986 the government of Canada decided to sell Teleglobe to the private sector, at a time when Canadian telecommunications networks and policy were coming under mounting pressure from domestic and international corporate forces. Today, these companies threaten the very existence of Teleglobe as Canada's international carrier. Telesat Canada may soon find itself in a similar position.

Telesat Canada was established in 1969 under the Telesat Act as a joint venture between the government of Canada and the major telecommunications carriers for the purpose of creating a domestic commercial satellite-based telecommunications system for Canada. In 1966, a consortium comprising of Power Corporation and Niagara Television applied to develop a privately owned satellite system in Canada. This was followed in 1967 by an application from Stentor's forerunner TCTS, in alliance with CNCP

Telecommunications, to finance, own and operate a private sector satellite system. (Babe, December 3, 1991:4).

The government of the day was apprehensive about turning over the development of satellite systems in Canada over to the private sector for good reason. Satellites not only compliment the microwave technologies of the telephone companies, they also compete with them. The government feared that ownership of satellites by the telephone carriers might retard their development in Canada should the telephone companies decide to focus on ground based microwave technology, fibre and cables. As universality was still a keystone of government policy in the late 1960's, the federal government speculated that private sector ownership of satellite technology might see the development of systems to meet the demands of the most lucrative markets. Satellite technology, long heralded as a potentially inexpensive boon to northern and remote residents and television systems, might never see its full development if the technology were to be driven by market forces (Babe, December 3, 1991:4).

Despite its concerns, the government did allow the telephone companies to own 49.3 percent of Telesat, and designated Telesat as a carrier's carrier, except for the CBC (Dalfen, 1970:90). The telephone companies again flexed their muscles in 1976 by threatening to boycott Telesat

altogether unless it joined TCTS as a member. Telesat could not afford such a confrontation with its major customer base and readily agreed. The CRTC found the Telesat-TCTS marriage not to be in the public interest but the Minister of Communications, Jeanne Sauve, had the CRTC decision overturned by an Order in Council. Telesat became a member of TCTS, forfeiting control over the placement of ground stations in the process (Babe, December 3, 1991:5).

As an arm of TCTS, Telesat has grown along lines closely defined by the TCTS/Telecom Canada/Stentor consortium and CNCP over the past two decades. Still, like Teleglobe, Telesat plays an important economic, technological and political role for Canadians. Today Telesat Canada is on the auction block as Teleglobe was in 1986. Telesat, like Teleglobe, faces many important challenges to its existence in coming years. American competitors seek to employ the United States-Canada Free Trade Agreement to access the Canadian market. At home, Bell Canada seeks to control as much as possible of the activities of Teleglobe and Telesat, while forging a new corporate oriented rate structure for Canadian telecommunication. In the coming months the long term future of these two former public entities will be determined. Let us attempt to understand the nature of the domestic and international forces that have brought Teleglobe

and Telesat to their present positions, and what they can teach us about the changing nature of Canadian telecommunications policy at the international level.

(iv) Winners and Losers

(a) International Players

The presence of strong, independent, publicly owned telecommunications companies in other countries has been perceived as a threat by American multinational corporations seeking to develop extensive privately owned networks world wide. For a number of years these companies have formed powerful user groups such as the International Telecommunications Users Group (INTUG) to lobby for change. Highly successful at home in the United States, these corporate strategists have met with limited success abroad. In Europe, many countries seeking to develop state of the art domestic and international systems remain committed to goals of universality and affordability. In all countries, private sector corporations linked to the global business system struggle to liberalize communications laws. Politicians in the United Kingdom and Canada have proven less difficult to steer away from traditional approaches. In the United Kingdom much progress has been made towards deregulation and competition in telecommunications services, following the

privatization of British Telecom in the early 1980's and the subsequent construction of competitive lines by Mercury Communications. Chapters Five, Six and Seven have detailed the scope of changes to Canadian telecommunications policy. What then has been the basis of this success by the multinational corporate community in Canada? Or, more to the point, what has been the strategy employed by multinationals seeking to break down the traditional public character of Canadian telecommunications systems and services and replace them with a more market driven model?

The multinational corporate community has employed five main strategies in its effort to promote private networks worldwide. Each of these has affected Teleglobe and Telesat and other important aspects of Canadian Telecommunications. First, pressure has been applied to effect changes in regulatory policy at the national level. In Britain this pressure saw the end of the traditional telephone monopoly, the introduction of Mercury Communications as the competitor, and the creation of a new regulatory agency Oftel to regulate the new environment (Hills, 1991:9) Oftel leadership has indicated its willingness to toe the corporate line on several occasions, but never any more clearly than in this statement on rate-rebalancing to lessen the overall cost burden on the corporate class in the post-privatization era:

Clear arguments exist to support the case for rebalancing. If BT charges prices in excess of costs for some aspects of its business, there is little it can do to avoid substantial loss of this business to a competitor. Furthermore, charging artificially high prices for long distance telephone calls is undesirable in itself. This practice ...would put an unnecessary burden on businesses which are heavy users of long distance telephony (OfTel, Annual Report, Section 1.8 in Hills, 1991:10).

In Canada, former Communications Minister Marcel Masse echoed similar sentiments claiming that his new telecommunications bill (Canada Telecommunications Act, tabled March, 1992), was based on "one overriding objective, to establish a national competitive market for telecommunications services" (Financial Times, January 29-February 4, 1990:9). The first telecommunications bill to be written in Canada in over 80 years was to contain some striking policy departures from Canada's traditional focus on universality and public accountability. It is noteworthy that one of the people, Richard Stursburg, responsible for drafting the new bill during his tenure at the Department of Communications, has since left DOC to play a central role in helping Unitel break into the MTS/WATS market in Canada. As ITAC put it in their key telecommunications policy statement: "...streamlining the regulatory process will permit more rapid implementation of new innovations and services" (ITAC, August 17, 1990:3).

A second important multinational corporate strategy has been to establish extensive private networks. This is especially important in Canada as branch plants and head offices (such as those of major auto-makers like Ford and GM), have already established such networks [see Ford Motor Company and General Motors Corporate Annual Reports 1985-1991]. These networks bypass the public telephone system and provide cost savings to their users. Today, all companies, large, medium sized, and small, want to experience these savings [which explains the presence of the debate over resale and sharing]. Importantly, the presence of large private networks brings pressure to bear on regulators to conform to United States-style networks and prices in Canada.

Two related strategies involve opening national systems to increasing competition in areas like MTS/WATS, and opening and expanding the market for resale. ITAC membership is explicit about whose rates should be the world leaders, arguing that Canada's telephone rates should be restructured "to reduce long distance rates to the level of those in the United States" (ITAC, August 17, 1990). ITAC adds that "increasing the number and scope of resellers...should be fostered in Canadian telecommunications markets" and that customer alliances (sharing groups) "should be made more widely accessible" (*Ibid*). As these subjects are dealt with

in Chapters Five and Six there is no need to delve into them further here, except to note that they are vital prongs in the multinational corporate effort to change national and international telecommunications policies around the world.

A fifth strategy, and one that has met with particular success in Canada, has been an effort to see former government owned international carriers like Teleglobe and Telesat privatized. In a letter to Rene Soetens, MP and chairperson of the legislative committee holding hearings on the privatization of Telesat, ITAC representative Janice M. Moyer wrote: "The Information Technology Association of Canada welcomes the government's initiative to privatize Telesat Canada as provided for in Bill C-38" (ITAC, December 3, 1991:1). Perrin Beatty, Marcel Masse's successor as Minister of Communications, makes the following comment on the greater significance of the Telesat sale: "...a wholly privately owned Telesat will contribute to a healthy, market-driven telecommunications sector which is vital to the continued growth and diversity of the Canadian economy" (In Canada: Johansen, November 4, 1991). The remarkable similarity between the messages emanating from the upper echelons of the DOC and that of ITAC make it appear that the Minister of Communications and the head of ITAC have the same speech writers: "To serve Canada well, the tele-

communications industry must be market driven" (ITAC, August 17, 1990).

The administrators of the German PTT have already begun to accept such arguments in the area of satellite systems. The government has announced that DBP Telecom will be forced to compete with private companies, ending its monopoly in satellite networks. To February of 1992, thirty turn-key projects by private satellite contractors had commenced. The German Monopolies Commission has added that it plans to dismantle DBP's entire telecommunications monopoly. According to a Unitel press release, "the efforts of the European Commission to liberalize telecom services, the system propping up Germany's previously impregnable monopoly, has started to crumble like the Berlin wall" (Unitel, February, 1992:2).

Overall, multinational corporate lobby groups have achieved great success in having the DOC move away from its traditional concerns for national development, universality and affordability. These concerns and public-service commitments to regulation and oversight have been discarded for a radically different focus on market driven telecommunications practice and regulation. Paul Racine, Director of Telecommunications Policy, outlines the three main goals of DOC today:

- (1) To ensure that there is only one regulator nationally;
 - (2) To open up the Canadian Market; and,
 - (3) To use competition to regulate the market.
- (Financial Times, January 29-February 4, 1990:9).

This is a much different communications policy from the one espoused by the DOC just a decade ago. At that time, when it was suggested that Telesat be privatized and opened up to competitive forces in the North American Market, W.H.

Montgomery of the DOC International Relations Unit argued that such a move would be inconceivable. Montgomery argued that the government must own and protect the majority interest in Telesat, in order to provide a domestic source for satellite technology produced in Canada. He also argued that Telesat was vital to communications access for those living in the north (Montgomery in Royal Bank 1983:28).

While the legislation to privatize Telesat was working its way through the House Of Commons, Eldon Thompson, chairperson of Telesat, expressed similar reservations about the treatment of the north after privatization:

The Bill does not contain provisions....authorizing the Governor in Council to issue policy directions to the CRTC or directions to Telesat with respect to any matter relating to national security, foreign policy or domestic telecommunications policy in Canada. Given Telesat's dominant role as the provider of telecommunications facilities in Northern Canada, the government may well wish to give consideration to these provisions (Eldon Thompson's briefing notes, for November 15, 1991 Meeting of the Parliamentary Committee on the Privatization of Telesat, Public Bills Office, Wallet C-38, Number One:page 2).

The multinational user community has also worked actively to secure free trading arrangements and open skies policies for transborder data flows. Before turning to this material it is important to understand the response of key domestic players to the multinational user community.

(b) Domestic Players

Key Canadian players like Bell and Unitel have always been more than a little ambivalent about the role and nature of Teleglobe and Telesat. Bell has tried to control Telesat since 1976 but like most other telephone companies, could accept public ownership as long as it had a direct say in the placement of earth stations and revenue settlements. Bell and Stentor had that control over Telesat and a mutually satisfactory fifty-fifty split of revenues with Teleglobe. In short, carriers like Bell and Unitel (CNCP) were in a win-win environment as long as Teleglobe and Telesat were publicly owned. No foreign company or major competitor could completely control them, and the Canadian public underwrote a good deal of network development while the carriers saw their need for overseas connections satisfied. Moves to privatize Teleglobe and Telesat saw an immediate reaction from Bell and Unitel that was not nearly so passive. If these companies were now going to be "for-profit, private sector

undertakings", Bell in particular was going to do everything it its power to control them. The multinational user community had succeeded in changing the policy approach; Bell would respond by attempting to solidify ownership and control.

Since the 1985 announcement that Teleglobe would be sold to the private sector, Bell has sought to control the company's operations. When Bell was denied the opportunity to purchase Teleglobe outright during the privatization process, Bell did the next best thing--it bought 29 percent of Memotec. (Memotec is the small Montreal based company that placed the winning bid for Teleglobe). In 1988, 90 percent of Memotec's \$33.5 M. profit was derived from Teleglobe (Globe and Mail, August 9, 1989:B3).

Unitel players have also been careful to secure connections with Teleglobe in the post-privatization era. Rogers Communications, a forty percent stake-holder in Unitel, has recently taken steps to have direct network access to Teleglobe's international telecommunications network (Globe and Mail, February 1, 1992:B1).

With the Unitel decision pending in the next few months and since the introduction of the new Canadian Telecommunications Act before Parliament in early March, Bell president Jean Monty's statements are increasingly attenuated

to the needs of the business community. In February of 1992, Monty and BCE president J.V. Raymond Cyr launched a bid in conjunction with Spar Aerospace to takeover the government's 53 percent share as per the privatization plan. Spar and BCE have created a new company called Alouette Communications to make the bid.

Teleglobe has also been a central concern of Monty's during the early months of 1992. According to the Globe and Mail (and Robert Babe of the Department of Communications at Ottawa University), Cyr and Monty were directly responsible for the ousting of the two central figures at Teleglobe since privatization in 1987. When Ted Rogers and Unitel leaders removed Unitel from the bidding for Telesat, claiming that the company was too close to the established monopoly telephone companies, Cyr and Monty saw to it that Charles Sirois succeeded in his bid to take over a large slice of the corporate power bloc at Teleglobe. Sirois who played a central role in the creation of BCE Mobile Communications [of which he is a major stockholder], has purchased an 8.1 percent block of Teleglobe shares. If he exercised all of his options his stake could rise to 17.4 percent by November of 1992 (Globe and Mail, February 4, 1992:B1,11). BCE and its ally Sirois would then control approximately 40 percent of Teleglobe stock (Bell is prevented by law from boosting

its stock beyond 33 percent of the company's ownership) (Urlocker, February 10, 1992:5). Why has there been such an effort by Monty and Cyr? One reason was that Bell Directors felt that former Teleglobe chairperson McKenzie was fighting their leadership in the company at every turn, keeping the company too independent of Bell Direction (Urlocker, Ibid). Sirois certainly possesses Bell's vision for international telecommunications in the post-CUSFTA era, and is attempting "to mold the Montreal-based company into a strategic weapon in Canada's fight against expanding foreign giants such as AT&T and British Telecommunications PLC" (Urlocker, Ibid). A related reason for the changes at Teleglobe has to do with the needs of the multinational corporate communications users, who are turning to AT&T and BT PLC.

The challenge of Unitel in the MTS/WATS market, alongside corporate demands for technology and rate rebalancing, has encouraged Bell's aggressiveness towards overseas connectivity. Bell Canada chairperson Jean Monty has recently been very candid about his company's aim; Bell, according to published reports in the Globe and Mail, wants what Monty calls "one stop shopping" for business users (as opposed to competition). He claims that, in order to be more responsive to the needs of the business community, Bell must "solidify our relationship with Teleglobe Canada, our

overseas carrier, and with Telesat Canada, our satellite services provider" (Ibid. Feb 6, 1992:B1). Rogers has also taken steps to solidify its position at Teleglobe, differing from Bell's approach only in that it maintains that a duopolistic environment is necessary to satisfy corporate needs. Rogers will seek to work as a peacemaker on the recently troubled Teleglobe board of directors while maintaining a strategic interest in overseas connectivity for Rogers and Unitel in the process (Globe and Mail, February 4, 1992:B1). Whatever the eventual outcome, it is important to understand that Canadian telephone companies have responded to the demands of the multinational corporate user community, and that these responses have significant implications for the future ownership operation of Canada's overseas carriers.

The role played by powerful domestic telecommunications forces like Bell Canada must be seen within the context of evolving international relations and the crisis of the Fordist mode of regulation. As Jenson has noted, Canada experienced high rates of economic growth after 1945, as did other nations. The post-war compromise between capital and labour featured the elements of public oversight and Bell's monopoly in exchange for universality and affordability goals. But Canada's Fordism, says Jenson, was "permeable Fordism"--permeable to international effects which were

created domestically but with an eye to the continental economy (Jenson, 1989).

Fordism in Canada was characterized by an expanded commitment to increased continental integration based on exporting resources and importing capital. As the crises of Fordism arrived in Canada, the economic contradictions which it exposed were those of a permeable regime of accumulation. According to Jenson, while not being an exception to the post war periods of boom and crisis, Canada's particular version of Fordism had a profound effect upon the different ways in which we experience the current crisis (Ibid).

Today Bell finds itself faced with the long-run implications of this permeable Fordism. On the one hand it wishes to maintain its monopoly; on the other it wants to experience the freedom, growth and profits of AT&T following deregulation in the United States. If AT&T and other foreign companies such as British Telecom are free to expand, then Bell must also have this freedom. These changes in international policy and international relations, within the context of crisis and crisis management, have led Bell leaders to take the offensive in Canadian international telecommunications policy. Bell chairperson Jean Monty is preparing his company to become a global player, by increasing the company's involvement in overseas tele-

communications originating and terminating in Canada:

I believe the limitation on ownership of the country's overseas carrier by domestic carriers must be removed, if Canada is to achieve a strong international presence and serve its customers effectively. One element of our strategy is to solidify our relationships with Teleglobe Canada, our overseas carrier, and with Telesat Canada, our satellite services provider. We are re-thinking the structure of our basic markets in order to maintain strong foundations upon which to build our future (Monty, October 9, 1991:14).

As Fordism in Canada was especially permeable to crisis due to foreign ownership, policy responses towards free trade, deregulation and competition have forced the traditional dominant domestic players to re-evaluate their response to international forces. At Bell, the answer clearly seems to lie in providing one stop shopping for the major users, or else suffer losses to the powerful multinational providers like AT&T. As Fordism in Canada was permeable to economic crisis, it is now proving equally permeable to foreign (especially United States) policy positions. Bell Canada may well be able to cope with these shifts in international relations and crisis, but what about the average residential user?

(c) Average Users of the Telecommunications Network

Governments throughout the western world are struggling to come to grips with the cleavages manifested by the

emergence of the new communications and information technologies. In Britain the government chose to acquiesce to the demands of the multinational corporate community; a series of deregulatory measures and privatizations followed. Some years later the government of Canada has dedicated itself to a similar course of action, especially in the area of international communications policy. The privatization of Teleglobe and Telesat represents an effort by the Canadian government to respond to the demands of the multinational corporate user community for increasingly private networks. Despite the negative implications of similar moves in both the United States and the United Kingdom over the past few years [see Chapters Five and Six] the Canadian government, largely through the Cabinet and the Department of Communications, presses onwards with the pro-competitive agenda. How then does the privatization of Teleglobe and Telesat relate to changes in the broader structure of telecommunications policy in Canada and to Canadian economic and industrial policy in general?

As in the case of reselling, MTS/WATS competition and rate restructuring efforts, the crisis of Fordism has encouraged the corporate world to press for a series of global private networks. According to telecommunications analyst Dan Schiller of the United States, the result of th

Second Computer Enquiry [see Chapter Five] has set an agenda under which the crucial issue of government involvement has been resolved, and the information society of tomorrow "is shaping up to be a strictly private affair" (Schiller, Autumn, 1982:84). Some of the implications of the development of private networks have been illustrated in Chapters Five and Six. Schiller adds to these insights by pointing to the diminishing importance of former public service goals of universality and affordability in the wake of the Second Computer Enquiry Decision:

Residential telephone service...is even now being transformed into a luxury. In New York City, a fifth of all blacks and a third of all Hispanics do not now have a phone, either at home or nearby. In the South Bronx--presently being bypassed by conglomerate cable companies seeking to dispense lucrative tiered and pay-per-view services to the relatively affluent inhabitants of Manhattan and Queens --it is estimated that fully 40 percent of households do not possess a telephone (Schiller, Autumn 1982:89ff).

Many stand to lose from changes to Canadian international telecommunications policy. The clearest winner in the effort to open up Canadian international telecommunications to a market driven orientation is the multinational corporate user community. Bell Canada has also taken steps to ensure that it does not lose in the changes. But not everyone is pleased with the pace and the result of change, as Schiller's data indicate.

In the case of the privatization of Teleglobe and

Telesat two main groups, have expressed concerns, aside from those voiced about problems of universality, rate structures and access as discussed in foregoing chapters--labour and users of Telesat.

Labour, particularly the COTU at Teleglobe, has long expressed its desire to see the company remain a crown corporation. At the time of the sale of the company, the union demonstrated that the federal government could recapitalize Teleglobe for less than \$325 M. Such a recapitalization would allow ownership of Teleglobe to remain in public hands, with the revenues of the company going towards paying off the public debt in Canada (COTU, November 3, 1987: Appendix C, Bill C-38, 2A:3). In retrospect, the concerns of the COTU appear to have been valid. Teleglobe is now referred to by most in the telecommunications field as a cash cow for both BCE and Memotec (Globe and Mail, February 5, 1992:B2). If the purpose of the sale of Teleglobe was to secure funds to pay off the public debt [the reason given at the time by the minister of privatization], Teleglobe's annual profits over a period of years would do far more to cover the public debt than the one-time payment from the sale would.

Another important concern about the post-divestiture Teleglobe today is the future viability of the company. As

Mosco has noted (July 1991:16), the size of the Canadian telecommunications market makes it highly vulnerable to the pressures of open market competition. It is entirely possible that companies like AT&T or MCI will use their larger national traffic base and telecommunications hub systems in the United States and the United Kingdom to take a good deal of Teleglobe's business (Ibid:16). To date, Teleglobe has responded with its "Globedirect" service aimed at offering increasingly competitive prices for connections abroad (Globe and Mail, February 5, 1992:B2). Later in 1992, Teleglobe's national monopoly comes under review by the Federal Cabinet as set out in the terms of the sale in 1987 (Globe and Mail, August 9, 1989:B3).

Regardless of the possibility of the federal government ending its monopoly as Canada's overseas carrier, the problem of bypassing Teleglobe in favour of United States-based "telecom hubs" already evident. In March of 1990 the Financial Post reported stories of Canadian companies using bypass technology and links to resellers in the United States as an alternative to the Teleglobe network. The Post speculated that the day was rapidly approaching, if not already here, when telecommunications managers could route calls to the United States and then overseas on United States carriers, without Canadian carriers or regulators being aware

of the process. As CNCP's chair George Harvey said, his company: "absolutely guarantees that it does not let its lines be used for bypass", but he added, "once lines are in the hands of resellers, we have no way of checking" (Financial Post, March 10-12, 1990:1). As Mosco warns, the presence of resellers in the international marketplace may be a wonderful thing for the multinational corporate user community, but it threatens not only the regulations that have served Canada well in telecommunications for over sixty years, but also the very legitimacy of international organizations like the ITU itself (Mosco, July, 1991:17).

Aside from threats because of the size of the Canadian market and the close proximity to United States-based bypass networks and resale systems, the corporate telecommunications users of Canada have stepped up their demand to have Teleglobe completely opened up to competition this year. Terence Corcoran of the Globe and Mail states this position succinctly: "Unless Ottawa and the CRTC move swiftly to deregulate the industry for the benefit of consumers the system will continue to regulate for the benefit of shareholders and industrial strategists" (February 5, 1992:B2).

The privatization of Telesat, along with the rather open ended way it is being deregulated, is of concern to a number

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of groups in Canada. Northern users fear that they will be left out in the cold (so to speak), should market forces dictate satellite transmissions in Canada. Labour is equally concerned about who the new owners may be. One other group with a particular vested interest in the privatization of Telesat is one of its primary users, broadcasting. As yet there are no provisions in Bill C-38 that would prevent Telesat from entering into broadcasting. The Canadian Satellite Users Association (CSUA), a group of Canada's preeminent broadcasters, has expressed this concern to government:

"Currently Telesat is excluded from expanding its objects to broadcasting by S.34.(1)(a) of the Telesat Canada Act. In Bill C-38, Telesat may expand its objects without restrictions as seen in S.9.(2). The membership of CSUA is concerned that Telesat may indeed seek to enter the broadcasting industry. Sixty percent of Telesat's monopoly space segment revenue comes from broadcasters, and the prospect of Telesat competing with organizations which provide this monopoly revenue source raises serious questions (CSUA, December 2, 1991:1, emphasis in original). For CSUA members such as the CBC, which faces its own increasing market challenges from private sector interests and policy makers, the potential for devastation in domestic

markets would be all that more severe if Telesat interests enter broadcasting after privatization. It is noteworthy that as part of its reorganization plan, BCE, a joint bidder with Stentor and Spar for Telesat at present, was allowed to enter broadcasting through a subsidiary. Spar and BCE have created Aloutte as such a subsidiary in the bid to purchase the government's share of Telesat (Globe and Mail, January 21, 1992:B1).

The privatization of public companies like Teleglobe and Telesat also represents losses to Canadian taxpayers in two important ways: (1) The selling price is a token, relative to the long-term cost of establishing the crown corporation in the first place [see Shalla, 1992 forthcoming], and (2) The profits of the company, which might be used to subsidize social programs or pay down the national debt, now accrue directly to private investors. For example, Teleglobe experienced a trebling of profits in 1991 (Urlocker, February 17, 1992:11). Rather than financing more socially oriented programs, these profits now go to subsidize Bell's plans to become an international player while Canadian rates are restructured and a competitive environment introduced. As for Telesat, Charles Gravelle of Stentor says: "We deserve to win out...we have a greater interest" (Marotte, March 5, 1990).

(v) Summary

In the late 1940's, the creation of Teleglobe (then the COTC) as a Crown Corporation was a signal that policy makers wanted to maintain a strong commitment to the public service concept of telecommunications service and regulation in Canada. Again in the late 1960's, the government of the day was guided by principles more attenuated to broader social needs than is the case today. At that time the government took pains to ensure that at least a small majority of control over Telesat remained in public hands. Since that time, both domestic and international challengers have successfully worked to place private network requirements above those of more socially oriented goals on the policy maker's agenda. Today, competition and privatization represent a shift away from the public service concept of regulation a more market oriented concept. In Mahon's terms, the state is simultaneously regulating [or deregulating] and representing the interests of the dominant class. The long run interests of a broad cross-section of the Canadian population are being sacrificed to the immediate needs of major capitals seeking to adjust to the crisis of Fordism. One lesson we learn from Canada's changing international telecommunications outlook is that the move to create a new social contract is being led by powerful domestic forces as

well as international players. As in the case of resale, sharing, enhanced services, MTS/WATS provision, and BCE reorganization, powerful international forces emanating from the United States and elsewhere are dictating the pace of change in a rapidly globalizing economy. The response of domestic and multinational players to the crisis has led the Canadian government to abandon long cherished goals of public ownership, as they have abandoned the public service concept of regulation.

One of the more striking features of the change to telecommunications policy is the role being played by Stentor and Bell Canada. In satellites we saw Bell make the first of a series of changes in telecommunications policy considerations towards the establishment of private, market driven networks. This effort has added an important domestic thrust to the international effort to increase the number of private networks and private benefactors of public spending. Canada's permeable Fordism has bred a permeable policy agenda in an era of crisis and restructuring in which telecommunications has been assigned the task of leading the way to recovery.

For multinational users, changes to domestic policy are viewed as essential to the establishment of high speed, integrated digital telecommunication networks on a global

scale. The privatization of Teleglobe and Telesat facilitate the needs of the large private user community in three important ways: (1) It allows Teleglobe and Telesat to become more fully integrated into the existing privately owned Stentor network more closely subject to market forces, (2) As private companies, in theory at least, both Teleglobe and Telesat will need to be more responsive to the needs of the market. This should mean lower international telecommunications costs for larger users as in MTS/WATS, and (3) It stimulates domestic and international competition. ITAC in particular is concerned about the development of a competitive domestic market for satellites. This entails the ability of firms to launch satellites in competition with Telesat and to use satellites owned and operated by carriers in other countries (See ITAC, December 3, 1991:1-2).

This third point is a very important, but little discussed, aspect of the privatizations of Teleglobe and Telesat. If ITAC has its way, Canadian based companies will be able to compete with Telesat as carriers and as users of bypass systems operated from outside Canada. At present, ITAC is lobbying Ottawa to remove the stipulation [in the first draft of the privatization bill] that would require Telesat to continue its monopoly in Canadian satellite carriage for ten years. ITAC president Janice Moyer argues

that five years will be more than sufficient for the new purchaser to adjust and prepare for open competition (ITAC, December 3, 1991:1-2).

Canada's international telecommunications policy, like domestic telecommunications policy, is riddled with conflicts, tensions and contradictions. As the state moves to respond to conflict in one area, such as user vs. provider rate battles, tensions in another area [among classes of users] emerge. One point does remain consistent however; that is the way in which the state has tried to accommodate the needs and interests of the largest users and providers before other classes. Users are getting an increasingly competitive telecommunications environment and Canadian policy is moving towards accommodating the development of private, high speed data and telecommunications networks. Large providers are also winning as we see Bell gain more control over international carriers. As in the case of resale, sharing and enhanced services, small residential users lose indirectly, as the former system dedicated to goals of universality and affordability is further undermined.

As market principles are replacing notions of public utility regulation and tractional concerns for universality, it is important that we understand the greater political

economic context of change. That is the subject matter of Chapter Nine, which will examine the likely outcomes of these changes to Canadian telecommunications policy in light of the recently tabled National Telecommunications Act. We will return to themes of domination and resistance--focussing on the latter in this material.

P A R T T H R E E

T O W A R D T H E F U T U R E :
P R O S P E C T S A N D C O N T R A D I C T I O N S

C H A P T E R N I N E

CONCLUSION: TOWARDS THE FUTURE

(i) Introduction

This thesis has attempted to show, by way of an analysis of resale, sharing, enhanced services, MTS/WATS services, BCE reorganization and changes to Canadian international telecommunications policy, that Canadian policy has been reshaped in recent years. Large capital, organized into user groups, has been shown to be the most active force in promoting a series of changes in response to the latest crisis of capitalism. Underlying my assessment has been an attempt to develop an understanding that efforts to respond to the current crisis reflect greater shifts in the nature of capitalism as a productive and a consumptive system. Canadian telecommunications policy further reveals that the social relations of Fordism are breaking down and being replaced by a new order. This new order, neo-Fordism, is characterized by the emergence of market forms of regulation to replace former concerns for public service goals in regulation.

Increasingly, Canadian telecommunications policy is being brought into line with American models, as major users in this country attempt to increase their ability to connect

with high-speed, cost efficient continental and global data and voice communication networks. This thesis has sought, however, to go beyond a mere instrumentalist analysis of how the stakes, players and issues interrelate, by extending the analysis to include an assessment of why the state has responded to the demands of large users as it has. Overall, this thesis has illustrated who is driving change, how and why the state has responded to user demands, the interrelation of various fractions of capital, classes of users and the changing relationships between traditional producers, traditional consumers and emerging producers, as well as "consumers as producers" of new products and services. By way of a class analysis [including an understanding of the positions of different classes of users], this thesis has gone beyond much of the traditional and administrative research on market and pricing efficiencies to a deeper concern for the winners and losers from policy change in the emerging neo-Fordist order. This work has also deepened and extended the historical insights of Babe's analysis by offering a broader structural and institutional analysis of more of the central players [particularly large users] in the process of change.

The empirical component of this thesis adopted a structuralist focus on class power in the policy process, in

an effort to understand changes to telecommunications policy in Canada, within the greater context of the crisis of Fordism as a productive and consumptive system, and changes to international relations in general. These four case studies revealed that large users have sought to introduce change to the telecommunications policy agenda and process. It has been argued that changes to the old Fordist social contract are reflected in changes to the telecommunications policy process. Today we see new alliances between multinationally based users and various national and international providers. Traditional concepts of production and consumption are challenged by the emergence of large institutions, such as banks, operating as resellers of telecommunications services. In the end, the state, and more specifically its telecommunications regulatory apparatus, the CRTC, is left with a huge mess to comprehend, untangle and manage. With large users omnipresent before regulatory tribunals in recent years and their interests being supported by the Federal Cabinet, the CRTC came to act as an agent of hegemony. It has done this by making efforts to ensure that the telecommunications system continues to function efficiently, while users and providers negotiate the new face of telecommunications in Canada. Class power is exerted here in at least two dimensions. On one level, the dominant

economic class has succeeded in reshaping the policy process towards certain desired ends. On another level, workers and consumers of telecommunications products have sought to ensure that the regulator keeps prices fair and does not permit changes that will allow employers to cut jobs in the sector. To date, the large users have achieved great success while smaller groups of workers and consumers have succeeded in having their collective voice heard by the regulators. It is a battle between giants in which Lilliputians seek to protect their interests. Thus far, the giants have forged a new terrain while the small users have fought to protect the gains made during past struggles.

Chapter Two and Chapter Three discussed the traditional and critical approaches to the role of the state in the policy making process and telecommunications research in general. These chapters advanced a structural view of key players, stakes, issues and arenas within the context of an institutional methodology, as the best way to gain further insight into the changes taking place in telecommunications policy in Canada over the past two decades. Chapter Four illustrated the nature of these changes and laid the groundwork for the four empirical chapters.

In Chapter Five we saw that continental economic forces and certain class actors have forced policy makers to rethink

the structure of the Canadian telecommunications regulatory framework. Specifically, the case of resale and sharing demonstrated the adoption of definitions previously embraced by United States based regulators working under similar structural constraints. This chapter revealed that large users, not just the telephone monopoly, have the power and the capacity to reshape the telecommunications policy process. This chapter also served notice that various fractions of capital [large and medium sized business] seek to shape the policy process according to their particular vested interest. In the case of small and medium sized businesses [represented by the Canadian Federation of Independent Business (CFIB)], an effort was made to share in the benefits of policy reformulation rather than miss opportunities as had happened to some extent in the United States.

Chapter Five also began the process of understanding how the CRTC, as a state apparatus, is an agent of hegemony in capitalist society. The CRTC responded to power shifts in the telecommunications sector as large users came to demand much more of the regulatory process. Large actors, such as the Canadian Bankers Association (CBA), revealed that traditional concepts of production and consumption are being reformulated, as large users may soon become rather large

competitive suppliers of resale services alongside the established carriers. Finally, Chapter Five began the process of highlighting the winners and losers from telecommunications policy changes.

Chapter Six devoted a great deal of attention to the stakes for the winners and losers, by way of continuing the discussion of central themes in resale and sharing as they impact on the whole notion of competition in long-distance voice service. Again we saw the impact of continental and class forces, as large users and carriers sought changes to bring the Canadian telecommunications regulatory system in line with the United States model favouring the market over traditional public service criteria. We also saw that small residential users, especially low income earners, stand to lose the most from the introduction of competition into long distance services while large corporate users stand to benefit the most. Among the most important findings of this chapter was Bell's plan to go ahead with United States style prices by the year 1996, regardless of whether or not Unitel is allowed to compete in long distance. The accompanying rate restructuring which Bell also plans will be the change that impacts upon large and small users the most.

Chapter Seven addressed the response of the dominant telecommunications carrier in Canada, Bell Canada, to the

emergence of competition. Rather than adopt the accepted view that Bell Canada reorganization was merely an attempt to remove certain aspects of its operations from regulatory control, this chapter sought to understand how the emerging forces of competition were central considerations on the part of Bell management at the time of reorganization. Above all else, Chapter Seven reveals that Bell Canada has benefited, as has AT&T in the United States, from changes to telecommunications policy and practice in the increasingly competitive environment.

Chapter Eight reflected upon the emergence of the increasingly competitive atmosphere in Canada's international telecommunications policy, reflected particularly in the privatization of Teleglobe and Telesat. Again it became evident that large users will benefit from change, as the privatization of these international carriers, within the context of freer trading arrangements, will open the Canadian market to increased foreign competition. It was also demonstrated that the dominant telecommunications carrier, Bell Canada has tried to tighten its grip on these specialized international carriers by forging international alliances with companies such as MCI in the international banking and finance telecommunications marketplace. Again, as in each of the four empirical chapters, the impact of

continental and class forces on the telecommunications policy process in Canada became apparent as it moves from a tradition of commitment to the needs of both large capital and smaller users, to a more market oriented, large user focus.

Together, the four empirical chapters provided us with an understanding of the central issues, conflicts and tensions in Canadian telecommunications policy today. They illustrated who wants change, what kind of change is sought and attempted to explain, in a structural sense, why certain paths are chosen and who is more likely to win and lose based on these decisions. Although they are presented as separate entities, the issues in each of the empirical chapters are interwoven. Specifically, the central issues involving resale, sharing and enhanced services [especially the issue of rate-restructuring] appeared again in the chapter on MTS/WATS competition. The chapter on BCE reorganization was linked to this analysis, as an effort was made to understand Bell's response to the emergence of the trends which influenced the decisions discussed in Chapters Five and Six. Chapter Eight helped to further our understanding of the international implications of domestic policy changes, and how domestic and international policies are being reconciled around a series

of interests expressed by the largest users of the telecommunications network.

Each of these chapters illustrated, as does the present chapter, that the state has been forced to respond to a variety of tensions and class conflicts while seeking to keep the system functioning. In recent years these forces have been so extreme as to witness the emergence of a new way of viewing traditional concepts of regulation. Today competition and market strategy have become the norm in CRTC policy decisions. At every turn the state has had to manage one rupture, while others emerge out of the very decision that eased the forgoing tensions.

The remainder of this chapter is divided into three sections. Section (ii) will reflect upon the specific conceptual and empirical findings of the thesis. This will enable us to turn to a brief assessment of the new Telecommunications Act (Bill C-41), and the ways in which it will serve as a road map for the future of Canadian telecommunications in years to come [section (iii)]. By reflecting upon this document in light of the conceptual and empirical findings of this thesis, section (iv) will point to further work that may be done to address the changes occurring in Canadian telecommunications policy and practice.

(ii) Conceptual and Empirical Claims of The Thesis

The conceptual core of the thesis has sought to address the silence in the Canadian literature involving the relationship between pro-competitive telecommunications regulation and class power in Canada. Given the emergence of a set of regulatory prescriptions favoring competitive provision of telecommunications equipment and services, I have sought to provide an explanation of how the relationship between large telecommunications user groups and the state can be understood theoretically. Put another way, I have sought to discern how we can best conceptualize the various elements embodied in the political-economic infrastructure of telecommunications regulation, so that it leads to a better understanding of the ways in which dominant user groups influence the process of regulation. Thus, the conceptual core of my dissertation revolves around the relationships which exist between capital and telecommunications and between capital and telecommunications policy making apparatuses. In order to situate this conceptual problem in a more concrete fashion, research questions were developed which addressed the empirical core of these relationships.

The empirical core of the dissertation involved the relationship between state regulation, corporate goals/needs, and the actual results of policy. Given the historical

emergence of the relationship between the state and telecommunications users/providers in Canadian society, I sought to reveal how the formation of competitive telecommunications policy/regulation works as a vital element in strengthening the unequal relations of class power. Put another way, I sought to discern how the efforts of telecommunications elites to shape the policy process tell us about who wins and loses in the emergence of a new social contract in Canadian telecommunications that favours market driven mechanisms over traditional mechanisms of public accountability. Thus the empirical core of my dissertation focused upon the impact of large private capitalist interests on regulatory efforts and outcomes. What this research has done is to employ the empirical question as the foundation for the area in which evidence required to support the conceptual or theoretical core was located. In answering these questions I have shown that competition is [to borrow Mosco's terminology] a euphemism disguising increasing domination of Canada's telecommunications network by the country's most politically and economically advantaged members.

As well as these main questions, there were several related or secondary research questions of both a conceptual and empirical nature. Among the conceptually related

secondary questions, I considered the ways in which the work of the regulationist school challenges, deepens and extends the traditional and dominant administrative view of regulation in Canada. In conceptualizing the relationship between competitive telecommunications regulation and private capital, we also began to see how the regulatory agency may be viewed as an agent of hegemony. This has lent further insight into the ways in which regulation is an act of mediating/legitimizing the accumulation needs of capital.

Further conceptual insights include the ways in which the concept of class power allows us to offer a more incisive view of the structural role of the state as a social relation than is possible in traditional administrative investigations. Ultimately, on a conceptual level, we now have grounds for understanding how the national interest becomes confused with the interests of large user groups in telecommunications.

Empirically-related secondary questions allowed us to examine the historical forces underlying the emergence of telecommunications on the agendas of the state and the private sector. For example, we were able to assess the conditions under which the current focus on a pro-competitive regulatory ideology have been developed. We have also attempted to understand the impact of foreign [continental

and global] forces on the emergence of a pro-competitive regulatory agenda in Canada.

Further secondary empirical questions revealed a good deal about the ways in which regulatory decisions are actually made in Canada, as well as lending insights into the criteria of regulatory agencies and how these criteria are subject to power relationships and change over time. Ultimately, the conceptual and empirical questions have come together to address the impact of continental forces and global forces on the national level of telecommunications regulation in Canada. The strength of this analysis is that it has allowed us to probe a number of central issues while understanding how the state works on behalf of the dominant class, not at its behest. By understanding the relationships and antagonisms among a variety of class actors and fractions of capital, we see how a state apparatus such as the CRTC has a degree of autonomy while maintaining the long run interests of the dominant regime of accumulation. Or, as Mahon has put it so aptly:

..."Bias" in the activity of the state is produced in a complex way--through the unequal structure of representation inside the state, a structure expressive of inter-and-intra-class relations of power. Through this structuration of class relations "inside" the state, the interests of various social forces are combined in a particular way--organized around the long-term political interests of the hegemonic fraction of the dominant class (Mahon, 1977:17).

All in all this thesis has contributed to a theoretical and an empirical effort to understand the past and present of Canadian telecommunications policy making, so that we may seek to understand its future. With the forgoing review of empirical and conceptual concerns in mind, let us turn now to a brief assessment of the roadmap for the future being fashioned by policy and industry elites over the past few years in Bill C-41.

(iii) Road Map for the Future: Bill C-41

Canada's new Telecommunications Act, Bill C-41, might be more accurately called the Canadian Competitive Telecommunications act. Responding to a White Paper draft of the new act, Jan Innes, a spokesperson for Unitel in Toronto said: "We think it's great" (Austin, March 1, 1992:3). Following similar efforts in broadcast legislation, this act is the culmination of efforts over the past ten years on the part of large users and the federal government to ensure that the future of Canadian telecommunications regulation is centered around competition and market regulation. Communications Minister Perrin Beatty made this clear in a DOC Policy Statement regarding the new Telecommunications Act in February 1992:

The primary objectives of policy are to maintain and increase the competitiveness of Canadian

telecommunications, domestically and internationally... The bill sets out the objectives of policy, which are expressed in terms of the interests of the industry and the users. It states that the objectives are, among other things, to foster increased reliance on market forces where conditions permit...(Canada: DOC, Policy Statement Accompanying the White Paper for Bill C-41, February, 1992:13).

Later in the month Beatty spoke directly to the issues that the Canadian Bankers Association and other larger users had sought for some time:

The bill isn't simply of interest to the telephone companies...All Canadian businesses need a telecommunications system that can provide more advanced and competitively priced services. This means benefits for banks, hospitals, airlines and the transport and retail industries (Canada: DOC press release, February 27, 1992:2)

Given the priority of competition on the agenda of those who drafted the bill, let us briefly assess some of the central changes the bill will see put in place in Canadian telecommunications regulation.

The major longer-run implications of the bill will surely be felt the most in resale. The new act proposes complete deregulation of resellers. These companies will be exempt from Canadian ownership rules for carriers expressed elsewhere in the bill, opening the Canadian market to foreign giants like AT&T (Austin, March 1, 1992:3).

Bill C-41 contains various policy and regulatory instruments which respond directly to the demands of the multinational corporate telecommunications user community and

of the dominant carrier in Canada, Bell Canada. Bell, in its effort to solidify control over Teleglobe and Telesat and continue to forge new international telecommunications alliances, will be pleased to see that the government has maintained an 80 percent Canadian ownership and control restriction in the Canadian telecommunications carriage sector. This ownership and control restriction is more than just a traditional military concern about facilities availability during times of war. Rather, this restriction, which copies American legislation, will allow Bell to devote attention to the national and international dimensions of its activity without concern for inordinate levels of competition coming from domestic sources other than Unitel. As the dominant player in Canadian telecommunications Bell is being asked to make some concessions to domestic competition in exchange for guarantees that it will remain the dominant company in Canada for the foreseeable future.

The new Telecommunications Act proposes one very important policy direction, especially in light of the conflict we saw among various levels of the state during the Call-Net cases. Recall that the Cabinet, on three occasions, stayed the execution of the CRTC's order to have Call-Net disconnected, while a succession of Communications ministers were sympathetic to the resellers' demands. Such conflict

will be avoided in the future, as the new bill will give the Cabinet the right to issue "policy directions" to the CRTC.

According to Beatty:

The act empowers the Governor in Council to issue to the CRTC directions of general application on broad policy matters with respect to any objectives of the policy (February 1992:15).

Large users will be particularly pleased with this aspect of the act as it should eliminate long delays in the future, such as those which characterized the relaxing of rules involving resale and sharing [approximately eight years from early 1983 to early 1991]. In Mahon's terms, this aspect of the bill is a direct attempt to "subordinate the agency's functioning to the overall bias of the state" (Mahon, Autumn, 1979:164).

The new act also entails two key regulatory instruments, "forbearance" and "unification". The CRTC, under the new act, will be allowed to forbear or refrain from regulation of certain services or markets "when the degree of competition is sufficient" (DOC, February, 1992:7). This regulatory instrument will amount to the non-regulation, or even deregulation of many services and markets. It would follow such a regulatory instrument that policy would favour a more deregulatory path. This could come about if the government, advising the CRTC under its new powers to do so,

encourages competition in various markets in order that regulatory forbearance might soon apply to them. This kind of effort would be in direct response to the demands of ITAC, CBA, CBTA, CADAPSO, and ACTS in their numerous publications, letter and documents cited earlier in this thesis.

Finally, the new Telecommunications Act follows hard on the heels of a 1989 Supreme Court of Canada decision, ruling that Alberta Government Telephones, and common-carriers operating anywhere in Canada, fall under the jurisdiction of the CRTC. The government now proposes, through the new Telecommunications Act, that all telecommunications in Canada should fall under the purview of the national regulator. This stipulation addresses the demands of large users such as ITAC (August 17, 1990:3-4).

The new Telecommunication Act serves as the natural culmination of the policy focus of the federal government and large users in Canada over the past ten years. In terms of the foregoing research in this thesis, it serves as one more example of the victory of the large users in their quest for an American-style, market driven telecommunications regulatory environment. The guidelines of forbearance and unification, alongside the Cabinet's new power to direct the CRTC's response to policy, more closely responds directly to the demands of users.

As shown in the four cases presented in Chapters Five through Eight, the role of the user groups in forging this new road map to take us into the future of Canadian telecommunications cannot be overemphasized. The new act, in a nutshell, reads like an ITAC policy statement from two years ago. At that time ITAC asked for competition, deregulation, a national regulator and market driven regulation wherever possible [see ITAC, August 17, 1992:1-4]. In February 1992 the federal government responded with an act enshrining in law the principles of competition, deregulation, a national regulator and market regulation wherever possible.

In the process of drafting the legislation, the state, as it has for many years now, has responded to the demands of the large users and the forces of multinational capitalism. As Beatty puts it:

The current trend in telecommunications around the world is towards a gradual easing in of market regulation and the privatization of government owned telecommunications companies. The United States and Britain have made strategic decisions to increase competition in telecommunications services and to modernize infrastructures...Canada must not be left behind. ...the small size of our domestic market and the fragmented structure of the telecommunications regulatory framework are factors which hamper the development of our telecommunications industry. If Canada is to maintain its position as a leader in telecommunications to remain internationally competitive, it must adopt a coherent policy for a country as a whole and a more flexible regulatory system conducive to innovation and accelerated development of our principal high technology industry (Canada: DOC, February, 1992:4-7).

But is it best to respond to the pressures of international capitalism by giving in to the demands of society's most economically advantaged members first, hoping for a "trickle down" effect to improve everyone's life in society? Considering this issue in light of what has happened in the United States and Britain following their experiment with competitive telecommunications, has Beatty chosen the best path for all Canadians? What other options exist? How might these be posed as further research questions? And importantly, what contradictions may emerge to thwart the new corporate telecommunications order?

(iv) Towards the Future: Prospects and Contradictions

The crisis of Fordism is apparent in many forms in different sectors of the Canadian economy. While seeking to manage large multinational corporations in a time of global accumulation crisis, large firms have turned to telecommunications as just one area of concern. Within this one area we have witnessed a global effort to reduce telecommunications costs, while shifting the burden of paying for the network from the most economically advantaged members of society to less affluent groups. As we saw in Chapter Six, this has meant the creation of telephone welfare programs in the United States under the euphemistic names "Link-Up-

America" and "Lifeline". Throughout the country, Americans have seen unlimited local monthly access to a telephone for a "flat rate" replaced by a variety of Local Measured Service (LMS) schemes. LMS is a rating plan in which telephone subscribers, instead of paying a fixed monthly rate for local service, are charged for each telephone call they make, whether it is long-distance or local (Lane, March 8, 1991:11).

Hills has documented similar patterns in the United Kingdom, of rate increases and the bypassing of rural and outlying regions by telephone companies seeking to upgrade their more lucrative urban markets with the latest technological developments. In Canada we have documented cases of rural subscribers being told that they will have to pay more to have new services installed. Unitel and the large user community have asked for competition, and Bell has acknowledged the kind of rate restructuring that would see more of this type of system come to Canada, should competition continue. In the early 1980's Bell was allowed to experiment with a "pay by call" [one version of LMS] plan in the Montreal area. At that time Bell backed away from the plan after a deluge of irate telephone calls to its service departments (Perun, July 14, 1983:4).

Public outrage can make a difference, as is evidenced by

the LMS backlash in Montreal. In the United States and the United Kingdom changes were put in place very quickly; although labour and consumer groups spoke out, the pace of change was so rapid as to outstrip the opposition force. In the United States and Britain consumers were angry, confused and disappointed with the kinds of change imposed. In Canada, the actions of the labour and consumers groups have largely failed to stop the forces of competition, but issues of universality and affordability have been kept on the agenda. The Communications Workers of Canada, the Telecommunications Workers Union, Rural Dignity of Canada, the Public Interest Advocacy Center, National Anti-Poverty Organization, and the B.C. Old Age Pensioners Organization have waged a constant battle with the multinational corporate forces of change. Although the large users appear to be slowly winning, the CRTC has been forced to respond to the needs of average users of the system. The Cabinet has become so dissatisfied with the CRTC's response to this kind of successful grass-roots democratic organization, that it has now taken steps to exert even more control over the agenda of the Commission. As I have demonstrated in Chapters Five through Eight, the CRTC has acted as an agent of hegemony in Canadian capitalist society. As the new Telecommunications Act reveals, the CRTC has not acted swiftly enough in this

capacity to satisfy Cabinet.

In its haste to exert more control over the CRTC's agenda, the Federal Cabinet is perhaps overlooking the truth inherent in a popular cliché "what goes around, comes around". As just one aspect of the effort to overcome the accumulation crisis of Fordism, the attempt to forge new telecommunications policies must be understood in a broad manner; so must the implications of new policy. As multinationals restructure and governments respond to the regulatory mess created by the new demands of multinational capital, workers and consumers will continue to grow dissatisfied with fewer jobs, lower paying jobs, higher consumer prices, and less service than in previous times. As the government restructures trade, industrial and telecommunications policies, it is taking steps towards a new set of social relations. From our perspective, this would appear to be a less democratic formation based on the principles of "Reganomics" as they were popularly described ten years ago.

The effort has been made to respond to the needs/demands of the giant economic actors while governments and the citizenry await the trickle-down of benefits across society. As we enter a neo-Fordist, less democratic, elite dominated era where more than ever before economic power wins policy

results, governments are forgetting that Fordism was both a productive and consumptive system. While Fordism solved the crisis of consumption by providing a mass consumer market for consumer goods and services, it managed one of the great dilemmas of capitalist economy--by providing the jobs and the consumer goods necessary to mass consumption society.

But even this system was vulnerable to crisis. In the effort to transcend crisis, multinational capital and the state have returned to a number of tenets of the pre-Fordist period, especially in terms of deregulation and a focus on the needs of producers over consumers. But one hastens to note that both policy and economic elites, in their response to capitalist crisis of former periods, have worked to suppress conflict while forging what eventually became the social relations of Fordism. As we saw in the period between 1880 and 1910 in transport and communications, public protest over dissatisfaction with rates and quality of service saw the emergence of regulatory tribunals charged with public service criteria for affordability and accessibility as well as quality of service. In the case of the three prairie provinces the telephone systems were "nationalized", when the monopolies would not provide widespread affordable and reliable service.

From this perspective, it would appear to be the case,

that we are on the threshold of another such era of widespread public outrage and reaction to the dominant forces of economy and policy. Currently in the United States, the issue of public health-care has come to the forefront, and in the telecommunications issue, dozens of groups have organized to advocate the interests of the residential consumer. In Canada, a similar pattern has occurred prior to competition in long-distance. As Poulantzas recognized in 1973 [see also Mahon 1979], subordinated classes can and do realize at least some of their goals before the state. As Mahon argues, the state is left with the task of establishing political compromises and strategies which advance or legitimate the entire capitalist system. Real concessions may have to be made to the subordinate classes, even if these do not appear to be immediately in accord with the interests of the dominant bloc of capital.

Jessop (1991:92), would argue, drawing on Poulantzas, that those institutions closest to the state [Bell Canada, large users], benefit the most from compromises seeking legitimation. Disadvantaged groups, consumers and workers who reside further away from the direct exercise of state power benefit also, but they benefit the least. At present, little effort is being made by the political party directing the federal state apparatus in Canada to forge such

compromises. At present the state is set on a course of action broadly based on a strategy of competition, privatization, deregulation and free trade. But as Folker Froebel has noted, the state can act on behalf of capital only so long with disregard for the legitimation needs of the system before a severe backlash occurs. Froebel in this case was referring to the movement of jobs away from richer countries, due to the creation of export processing zones and freer trading deals (Froebel, 1980). Froebel asks a question that policy elites will soon be forced to answer: "When all of the good paying jobs have left the country, and unemployment rises, who will buy the consumer goods?". Froebel's question is relevant to this analysis as well. When a government restructures the economy, making it easier for multinationals to employ people elsewhere, and making services such as telecommunications more expensive and less accessible, can this overall policy process result in anything but further policy crisis? I think not; but it is important to note that just as telecommunications policy is but one prong of the new corporate policy focus in Canada, the response to it will be part of a greater backlash to the agenda of the multinationals and the policies of the state in general.

(v) Further Research Questions

In terms of telecommunications research, the likelihood of more democratic struggle and resistance and continued contradictions in economic management leaves much to be done. Now that we have an understanding of who is driving the process and towards what ends, researchers may begin to probe deeper questions of the redesigning of public markets into private markets. Work might also be undertaken to understand the problems and possibilities associated with a publicly owned telecommunications system in Canada. Saskatchewan and Manitoba have created a state of the art, affordable and accessible telecommunications system as efficient as Bell Canada's privately owned system. In the first decade of this century, Canadians chose to allow a largely private system in exchange for certain promises; today those promises are not being met with results. As in 1900, the corporate elite in the private market are losing their ability and willingness to respond to widespread public needs. Research into the possibility of a national public network which would providing the tools of the information age in a more democratic, affordable and accessible fashion must now be undertaken. As well, a good deal of research needs to be conducted to understand how rural and northern citizens may participate in the information age at an affordable cost.

Certainly, efforts to continue to privatize markets and distribute the burden of cost to less economically advantaged members of society will see poor results in these areas. As well, continued acceptance by researchers of the corporate interest as being the national interest will see only more administrative results and a limited contribution to positive change. More research which questions the contributions of the private sector to the public interest would also be productive. Further insights must also be gained in regards to the changing nature of producers and consumers in capitalist society, as the discussion of resale illustrates. This thesis shows that in telecommunications, there are a good many reasons to doubt that the corporate interest and the public interest are even remotely similar. Anthony Smith (1989) has already taken up this theme in his work:

Clearly the new telecommunications environment has arisen from a commitment to free commercial practice. The commitment to cultural freedom, however, has wavered at times. Surely, an open society is the real goal toward which any new ideology of public interest should be encouraged (Smith, 1989:358).

For the sake of competition and the exercise of free commercial practice, the United States, United Kingdom, many European nations, Japan and now Canada, have restructured the policy commitments of their telecommunications sectors. The time has come for a more social approach--one that takes into

account the true national interest. As Rohatyn (1987:3) put it: "The free market is not always right; it surely is not always fair. It should not be turned into a religion" (in Mosco, June 21-22, 1988:10). Telecommunications researchers, working in conjunction with consumer and worker organizations, can play a central role in seeing that competition is tempered with good social sensibility.

AFTERWORD

Following the completion of this thesis the CRTC rendered its decision on long distance competition and related matters in resale and sharing (CRTC Telecom Decision 1992-12). Although this is a "watershed" decision, it is certainly not the last in these matters as both Bell Canada and B.C. Tel have launched an appeal of the terms of the decision. Nonetheless, the decision does raise important matters for further research and I will address these briefly at this point.

Telecom Decision 1992-12 is a major telecommunications policy event in Canada. Given the evidence presented in Chapters five through Eight, it is however, not a surprising decision. In Telecom Decision 1992-12 the Commission concludes that "Unitel is likely to become a viable competitor and bring about the benefits of competition

anticipated by the Commission" (page 111). Decision 1992-12 further liberalized resale and sharing regulations "in order to permit the resale of WATS and other discount toll services". Unitel's George Harvey and Michael Kedar of BCRL-Call-Net, are both thrilled with the decision (CBC, The National, Friday June 12, 1992). Given the Commission's response to CNCP in Telecom Decision 1985-19, and subsequent decisions to further liberalize resale and sharing, Telecom Decision 1992-12 was to be expected, I would argue, to arrive at the decision which it did. 1992-12 is yet another integral part of the greater policy agenda to forge a new telecommunications social contract in Canada--one based on increased competition and market regulation. The battle however is still not over.

Telecom Decision 1992-12 adds further complexity to the greater telecommunications struggle in Canada. Researchers will now need to make an effort to understand the realignment of actors in the next round of struggle as the dominant carriers challenge the Commissions Decision. If the appeal fails, and there is no reason to expect that it will succeed, researchers will then be left with the task of demonstrating the negative impacts of the decision on average Canadians and pointing to potential solutions to minimize these losses. Ultimately, decision 1992-12 finally opens the way to United States-style competition in Canadian telephony. Researchers will need to study the ways in which the decision affects our system, and closely monitor the rebalancing of rates in an

effort to avoid the problems that occurred in the United States. The impact of the decision on labour will also need to be monitored.

All in all, the decision will generate new conflicts, and new alliances in the contested terrain that has come to characterize Canadian telecommunications. As we continue to work towards a more democratic future in Canadian telecommunications policy, Telecom Decision 1992-12 presents researchers with many challenging opportunities. Let us not fail in the task of working to avoid the kinds of results achieved in the United States following the introduction of competition in long distance services.

ENDNOTES

1. It is important not to portray neo-classical economic thought as a monolith. Obvious it is a changing paradigm like any other discussed in this thesis. Among those who work with the parameters of "neo-classical economics" there is often a great divergence of opinion as between someone like George Stigler and Woodrow and Woodside who draw on neo-classical assumptions. Nonetheless, within the Canadian telecommunications debate, enough similarities in both approach and method have been noted by this author that it is possible to identify key assumptions. Added to these assumptions we should also note that within the neo-classical perspective a "power shift" has occurred away from the traditional Keynesian approach towards the neo-conservatives like Stigler. While the Keynesians favoured some degree of state regulation, the neo-conservatives have moved increasingly further away from this long cherished value in neo-classical economic thought.
2. A clarification of Fordism and neo-Fordism are necessary at this point. By Fordism we are referring to the set of social relationships that evolved in the early part of this century. Fordism has been a system that attempted to coordinate mass production with mass consumption, thereby alleviating the crisis of overproduction of the 1920's and the prolonged economic crisis of the 1930's. Fordism combined mass consumption with mass production under the management of the welfare state. Neo-Fordism represents a movement away from the long cherished values of Fordism as a regime of accumulation towards a new social contract, one in which market driven regulation is favoured over state management. In neo-Fordism we are seeing an ever greater "targeting" of specialized producers and markets where specialized business users have taken precedence over mass consumers.

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A P P E N D I C E S

APPENDIX ONE

The Telecommunications Industry and the Canadian Economy

1.1 Telephone Revenues (1972-1990) (Millions of Dollars)

Year	Local	Long- Distance	Total	Bell Canada
1972	923	844	1,824	1,301
1973	1,025	995	2,076	
1974	1,139	1,172	2,375	
1975	1,307	1,407	2,788	1,967
1976	1,537	1,664	3,296	
1977	1,756	1,892	3,766	
1978	2,010	2,239	4,391	
1979	2,246	2,636	5,080	
1980	2,512	3,053	5,775	
1981	2,948	3,625	6,828	4,140
1982	3,360	4,058	7,708	
1983	3,524	4,404	8,363	
1984	3,666	4,842	9,099	
1985	3,789	5,333	9,814	5,966
1986	3,896	5,817	10,455	
1987	4,044	6,055	10,954	
1988	4,237	6,319	11,704	
1989	4,593	6,791	12,659	
1990	4,906	7,143	13,251	8,468

Source: Statistics Canada: Canadian Economic Observer,
Historical Statistical Supplement 1990-91,
Catalogue 11-210:86, and Bell Canada:
Corporate Annual Reports

APPENDIX ONE (Continued)

1.2 Percentage Contribution to Canada's Overall
Gross Domestic Product of Selected Sectors, 1990

Sector	1990
Fishing and Trapping	0.2%
Agriculture	2.2%
Logging and Forestry	0.5%
Mining	1.2%
Telecommunications	2.7%

Source: Canada: Department of Communications, 1991.

1.3 Telecommunications Sector,
Contribution to GDP 1970, 1980, 1990

Year	Contribution of Telecommunications to Canadian GDP
1970	1.0%
1980	1.8%
1990	2.7%

Source: Canada: Department of Communications, 1991.

APPENDIX ONE (Continued)

1.4 Growth Rate of Canadian Economy and Telecom
Carriage Industry

	Growth Rate
Canadian Economy, 1990	0.8%
Telecom Carriage Sector, 1990	8.1%

Source: Canada: Department of Communications, 1991.

APPENDIX TWOMembership of Leading User Organizations in the Canadian Telecommunications Sector1. The Canadian Business Telecommunications Alliance (CBTA)Corporate Membership 1991

3M Canada Inc.
Abitibi Price
Account-A-Call Canada
Aetna Life Insurance
Agropur Co-Op, Agro-Alimen
Air Canada
Alberta Energy Co. Ltd.
Alcan
Allstate Insurance
Amdahl Canada
American Express Canada
Amoco Canada Petroleum
Answer Plus Corporation
Aviscar Inc.

B.C. Gas Inc.
B.C. Hydro
B.C. Systems Corp
Bank of Canada
Bank of Montreal
Bank of Nova Scotia
Banque Nationale du Canada
Baxter Corporation
Bell and Howell Canada
Block Bros. Industries Ltd.
Bull Hein Information Systems
Burns Fry

Call-Net
Cambell Soup
Canada Life Assurance
Canada Mortgage and Housing Corp.
Canada Newswire Ltd.
Canada Packers
Canada Post
Canada Steamship Lines

APPENDIX TWO (Continued)

Canada Trust
Canada Wire and Cable
Canadair Ltd.
Canadian ADP Services ltd.
Canadian Airlines International
Canadian Bankers Association
Canadian Broadcasting Corp.
Canadian Depository/Securities
Canadian General Electric
Canadian General Insurance
Canadian Hunter Exploration
Canadian Imperial Bank of Commerce
Canadian National Railways
Canadian Pacific Ltd.
Canadian Satellite Comm. Inc.
Canadian Tire
Canadian Utilities
Canadian Western Natural Gas
Canon Canada
Cargill
CCL Industries
Celanese Canada
Centennial College
Centra Gas
Central Guaranty Trust
CIBA-GEIGY Canada ltd.
Citibank Canada
Co-operators Data Services
Co-operators Financial Services
Coca-Cola Beverages
Cognos Inc.
Comark Services Inc.
Comdisco Disaster Recovery Services
Cominco
Confederation Life
Consumers Gas
Consumers Glass
Continental Canada
Crane Canada
Crown Life
Crowntek Business Centre
Cue Datawest

Datacor Atlantic
Dateline Inc.

APPENDIX TWO (Continued)

Deere and Co.
Delta Hotels
Digital Equipment of Canada
Dofasco
Dominion Textile
Dow Chemical
Du Pont Canada
Dun and Bradstreet Canada
Dylex Ltd.

EDS of Canada
Equifax Canada
Ernst and Young
Euro-Brokers Canada

First City Trust
Foothills Hospital

Gandalf Technology
GAZ Metropolitan
Gemini Group
General Datacom
Glaxo Canada
Goldman Sachs Canada
Goodyear
Great West Life
Grand and Toy
GTL Transport

H.A. Simons Ltd.
Harlow-Meyer-Savage Inc.
Hewlett Packard
Hibernia Management and Development
Hoechst Canada
Home Oil
Honeywell
Hong Kong Bank of Canada
Household Financial
Hudson's Bay Co.
Husky

IBM
ICI Canada
IIS Technologies
Imperial Oil

APPENDIX TWO (Continued)

INCO
Indal Computers
Infonet Computer Sciences CDA
Infotron
IST

Jansen Pharmaceutica
John Labatt Ltd.

Kimberly Clark
Kodak
Kraft

LDN Communications
Levesque
Levi Strauss
Leviton
Livingston International

Mackenzie Financial
Maclean Hunter
Manufacturers Life
Maritime Life
Matsushita Electric
McMillan Binch
Merrick Frost
Merrill Lynch
Miligram and Co.
Mitel
Mobil Oil
Montreal Trust
Motorola
Mutual Life

Nabisco
National Data
National Sea
National Trust
NEC Canada
Nesbitt Thompson
Nestle
NewBridge Networks
Newfoundland and Labrador Hydro
Noranda
Norex

APPENDIX TWO (Continued)

North American Life
Northern Telecom
Nova Corporation of Alberta
Nova Scotia Power
Novacor Chemicals

Ogilvy, Renault
Olympia and York
Ontario Hydro
Ortho Pharmaceutical
Oshawa Group

Peat-Marwick
Petro-Canada
FHH Canada
Philips Electronics
Pilsbury
Pitney Bowes
Polysar Rubber
Pratt & Whitney
Prenor Trust
Provigo
Prudential
Purolator

Quaker Oats

Readers Digest
Reckitt and Coleman
Richardson Greenshields
Royal Bank
Royal Insurance
Royal Trust

S.C. Johnson and Son
SITA
Safety Supply Canada
Science North
Scotia McLeod
Scott Paper
Seaboard Life
Sears
Shell
SHL Systemhouse
Sidbec-Dosco

APPENDIX TWO (Continued)

Southam
Spar
State Farm Insurance
Steinberg
STM Systems Corp.
Storagetek Canada
Sun Life
Sunoco
Syncrude

T. Eaton Co.
Telerate
TNT Management
Toronto Star
Toronto Stock Exchange
Toronto Dominion Bank
Toyota
Transcanada Pipelines
Trust General Canada

Ultramar
Union Carbide
Union Gas
Unisys

Vancouver Stock Exchange
Venture Inrs
Via Rail

Warner-Lambert
Wellington Insurance
Westinghouse
Weston Foods
Woodward Stores
Woolworth

Xerox

Zurich Canada

APPENDIX TWO (Continued)

Federal Government of Canada Membership in CBTA

Department of Communications

Employment and Immigration Canada

Energy, Mines and Resources Canada

Department of Fisheries and Oceans

Revenue Canada

Transport Canada

APPENDIX TWO (Continued)

2. The Communications Competition Coalition (CCC)

Corporate Membership (November 1991)

Abitibi Price
ADT Canada Inc.
Alcan
Alliance of Canadian Travel Associations

B.A. Seville and Associates
Bourse de Montreal
BP Canada
Bank of Canada
Bank of Nova Scotia

Bryker Data

Canadian Alarm and Security
Canadian Bankers Association
Canadian Manufacturers Association
Canadian Imperial Bank of Commerce
Canadian Press
Central Guaranty Trust
Comdisco Disaster Recovery Services

EDS of Canada

Federal Industries of Canada
Frederick Transport

Gemini Group
General Motors
Gesco Industries
Great West Life
Grifcold

IBM
Imperial Oil
Indal Computers

Lawson Morrison Group

Manufacturers Life
Midland Walwyn Ltd
Moore Corporation

APPENDIX TWO (Continued)

National Bank of Canada

Rex Aviation

Royal Bank

Royal Trust

Sears

Southam

STM Systems Corp.

Sun Life

Syscor

Toronto Dominion Bank

Valley City Manufacturing

7 1 of/de 7

PM-1 3½"x4" PHOTOGRAPHIC MICROCOPY TARGET
NBS 1010a ANSI/ISO #2 EQUIVALENT

PRECISIONSM RESOLUTION TARGETS

PIONEERS IN METHYLENE BLUE RESOLUTION SINCE 1974

METED

THIRD COUNTY ROAD 2, BAYVIEW, OH 44127 USA
TEL 216 485 7857 FAX 216 485 7857 TLE 0000000000

APPENDIX TWO (Continued)3. The Information Technology Association of Canada (ITAC)
Corporate Membership (1988)

3M Canada Inc.
AT&T Canada
Amdahl Canada
Apolo Computer
Auto-Trol Technology

Bell Canada
Best Systems Corporation

CNCP Telecommunications (Unitel)
Canstar Communications
CADAPSO Software Canada
Compugraphic
Control Data

DMR Group
Datapoint Canada
Data General
Delphax Systems
Dictaphone Canada
Digital Equipment of Canada

Epsom Manufacturing
Evans Research Corporation

Gellman Hayward & Partners
Global Access Network

Harris Systems
Hewlett-Packard Canada
Honeywell Bull Canada

IBM
Intergraph Systems
International Data coproation

Kao-Didak Ltd.

Microsoft Canada
McCarthy and McCarthy

APPENDIX TWO (Continued)

NAS Canada
NBI
NCR
Network Data Systems
Northern Telecom
Novatron

Olivetti Canada

Pitney Bowes
Prime Computer Canada

Robert H. Schaffer & Associates

Sand Technology Systems
Saynor Varah Inc.
Storagetek Canada
Sun Microsystems

Tektronics
Telecommunications Terminal Systems
Transact Data Services

Unisys

Wang Canada

Xerox
Xios Systems

APPENDIX TWO (Continued)4. Canadian Association of Data Service Professional OrganizationsCorporate Membership (1988)

ACT Computer Services
Advertising Mnagement systems
Amdahl
Automaton Center of Ottawa

Bell Canada
British Columbia Systems
Bryker Data
Business Data Processing
Brentwood Data
Buckley and Kelling Computers

Canada Life
Canada Systems
Canadian Data Services
Capsco Software
Computer Business Systems
Control Data
Centre Information Calculus
Centre d'information RX Ltee.
Cincom
Cogena
Comdata
Compucraft
Computer Sciences Canada
Computer Servicentres
Comshare
Cover-all Computer Services
CUE Datawest

Dart C.P. Services
Datacrown
Dataline
Datakey
Dataman
DGS Group
Digital Equipment
Ducros, Meilleur & Roy
Dupras, Alexander, Tremblay & Associates

APPENDIX TWO (Continued)

Dyad Computer Systems

Elan Data

Faulkner Associates

Gellman, Hayward & Partners

General Datacom

Harris Donovan Systems Ltd.

Honeywell

IBM

IST

ISS

Kreiger Data Service

Lafontaine, Gauthier & Schattner

Le Groupe BST

L&L Computer Systems

Management Science America

Maritime Computers

Minicom Data Corporation

Multitek

National Communications and Data Inc.

National Systems Group

Progressive Data

Qunite Computer Services

Real Time Datapro

Service Information Access Ltd.

Sinnot Data

Software Brokers Ltd.

Soupac Inc.

Sperry Inc.

Tedac Computers

Tetrad Computers

TSC Computers

United Information Systems of Canada

APPENDIX TWO (Continued)

Sources: CBTA: Roster of Members, June 1991; Suite 215, 15
Toronto Street, Toronto, Canada M5C 2E3

CCC List was obtained courtesy of the
Telecommunications Workers Union, November 22, 1991

Information Technology Association of Canada,
Ottawa, as submitted to CRTC, April 1989

CADAPSO, Annual Report, 1988

APPENDIX THREE

Key Regulatory Decisions of the CRTC Discussed in Chapters Five Through Eight

- CRTC Telecom Decision 1979-11. CNCP Telecommunications allowed to interconnection with Bell for the sale of private line services.
- CRTC Telecom Decision 1981-24. CNCP Telecommunications interconnection with B.C. Tel. approved.
- CRTC Telecom Decision 1982-14. Attachment of subscriber-provided terminal equipment.
- CRTC Telecom Decision 1983-10. The Reorganization of Bell Canada.
- CRTC Telecom Decision 1984-18. Regulatory policy for enhanced services [first victory for large users].
- CRTC Telecom Decision 1985-19. Resale and sharing defined and permitted in limited areas. CNCP's application to provide long-distance competition denied.
- CRTC Telecom Decision 1987-1. Resale and sharing of primary exchange voice.
- CRTC Telecom Decision 1987-2. Resale and sharing classification and tariffs.
- CRTC Telecom Decision 1987-5. Commission defines Call-Net's service as basic not enhanced service.
- CRTC Telecom Decision 1987-14. Call-Net's review of Decision 87-5.
- CRTC Telecom Decision 1989-17. Call-Net illegal resale and sharing of basic service.
- CRTC Telecom Decision 1990-2. Resale and sharing of Teleglobe's international service.
- CRTC Telecom Decision 1990-3. Resale and sharing of private line services.
- CRTC Public Telecom Notice 1990-73. Unitel's application to

APPENDIX THREE (Continued)

compete in long distance; B.C. Rail/Lightel's
application to compete in long distance
telecommunications service.

Source: CRTC, Examination Room, Terrace du Chautierre, Hull
Quebec (with thanks to G. Pilon).

Curriculum Vitae

Gerry Coulter
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1-613-374-2983

Education

Carleton University, Ottawa, Ontario.
1988 (September) to present, Ph.D. Candidate, Department of
Sociology and Anthropology (ABD as of Dec. 1990).

Queen's University at Kingston, Kingston, Ontario.
1987-1988, M.A. Sociology, October 1988.

Queen's University at Kingston, Kingston, Ontario.
1986 (One year of preparatory work in sociology).

Queen's University at Kingston, Kingston, Ontario.
1981-1985, B.A. (Hon.) Philosophy and History, June 1985.

Academic Employment

July 1, 1992-Present.	Assistant Professor of Sociology St. Thomas More College, The University of Saskatchewan at Saskatoon
September 1988-April 1992	Teaching Assistant Department of Sociology and Anthropology Carleton University
September 1986-June 1988	Teaching Assistant Department of Sociology <u>Queen's University at Kingston</u>

Academic Honors and Research Grants

September 1988-May 1992	<u>Carleton University Graduate Scholarship</u>
August 1991-July 1992	<u>Doctoral Fellowship (\$14,016)</u> <u>Social Sciences and Humanities</u> <u>Research Council of Canada Award</u> Ottawa, Ontario.

Academic Honors and Research Grants (Continued)

Sept. 1990-August 1991	<u>Ontario Graduate Scholarship</u>
Ontario Ministry of Colleges and Universities, Toronto, Ontario.
September 1990	Upon completion of three Ph.D. <u>comprehensive examinations</u> my work was recognized as " <u>completed with distinction</u> ".
September 1989-August 1990	<u>Ontario Graduate Scholarship</u>
Ontario Ministry of Colleges and Universities Toronto, Ontario.
January 1989	<u>Epstein Fellowship</u>
Carleton University, Ottawa.
September 1988-August 1989	<u>Ontario Graduate Scholarship</u>
Ontario Ministry of Colleges and Universities, Toronto, Ontario.
August 1988	<u>Master's Degree</u> granted by <u>Queen's University at Kingston</u> with first class standing.
September 1986-August 1988	<u>Queen's University Graduate Award</u>

Current Research Interests

- a) sociology of telecommunication and communication policy
- b) the social impact of information and communication technology
- c) political economy of communications
- d) sociology of labour process and work (especially the impact of global economic restructuring)
- e) sociology of mass media and gender relationships

Publications

Journal Articles

"The Canadian Press and the Problem of Responsible Journalism: An Olympic Boycott Case Study", in The Journal of Sport and Social Issues, Northeastern University, Boston, Volume 10, Number 2, Summer/Fall 1986

Publications (Continued)

Books

Rewriting the Social Contract In Canada: Lessons From Telecommunications Policy (forthcoming). I am currently discussing the publication of this book, based on my Ph.D. thesis research, with MacMillan of Canada, Toronto.

Journalistic Writing

"Critical Thinking, Not Just Computer Literacy, Should Be A Priority In Our Schools", Kingston Whig-Standard, August 20, 1987, page 11.

"Higher Telephone Rates A Threat Of Effects, Not Text, Of Free Trade Deal". Kingston Whig-Standard, December 13, 1988, page 9.

"The Future of the Rural Canadian Telephone: Higher Rates and Lower Levels of Service", forthcoming in May/June 1992 Harrowsmith Magazine

Papers Presented

"Forging a New Social Contract: The Canadian Media and the Grassroots Battle Against the Canada-United States Free Trade Agreement", annual meeting of the **Union for Democratic Communication**, New York City, October 27, 1989.

"Corporate Demands on Public Policy in Telecommunications" to be presented the second week of May 1992 at the annual meeting of the **Union For Democratic Communication**, Trent University, Peterborough, Ontario

References

1. Dr. Wallace Clement, Professor, Department of Sociology, Carleton University, Ottawa, Ontario, K1S 5B6 Canada
2. Dr. Vincent Mosco, Professor of Mass Communication, Carleton University, Ottawa, Ontario, Canada K1S 5B6
3. Dr. Bruce McFarlane, Professor, Department of Sociology, Carleton University, Ottawa, Ontario, Canada, K1S 5B6

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