



Communications, Energy and Paperworkers Union of Canada

CEP TELECOM POLICY:

**CONNECTING WITH
OUR FUTURE**

Table of Contents

Executive Summary	
The Role and Importance of the Telecom Sector.....	Paras. 1-13
A Proud History.....	14-20
Difficult and Tumultuous Beginnings (Recommendation No. 1).....	21-29
Achieving Cross Canada Telephone Service (Recommendation No. 2).....	30-37
The Deregulation of the Telecom Industry (Recommendation No. 3).....	38-82
Maintaining Canada as a World Leader.....	83-95
Internet Services.....	96-104
The Wireless Sector.....	105-115
Shifting Revenues and the Internet (Recommendation No. 4).....	116-132
Capital Expenditures (Recommendation No. 5).....	133-139
What's Happening to Universal High Quality Service (Recommendations Nos 6 & 7).....	140-148
Quality of Service Issues (Recommendation No. 8).....	149-169
Employment Levels (Recommendation No. 9).....	170-182
Revitalizing the Industry and our Economy (Recommendations Nos 10 & 11).....	183-191
Lifting Foreign Ownership Restrictions (Recommendation No. 12).....	192-232
Labour Issues in the Telecom Sector.....	233-236
Required Legislation and CIRB Changes.....	237-242
Organization and Bargaining.....	243-246
Our Vision.....	247-251

Executive Summary

The Canadian telecommunications sector continues to expand in often unpredictable ways while undergoing constant and rapid technological changes. Since the 1980's, it has evolved from a strictly regulated telephone industry governed by public interest policies into what is now a multi-platform, increasingly competitive and technologically driven sector.

The transition has been more than challenging for workers who have witnessed ongoing corporate reorganizations, the effects of convergence with the Information Technology Sector, mergers and international alliances. The result has been downward pressure on wages and working conditions due to a slew of regulatory decisions which have led to unfair competition on top of the unceasing and disruptive effects of technological changes.

While it is true technological advances have created expansion into new services by the traditional carriers, government policies aimed at promoting deregulation and an uneven or asymmetrical regulatory framework have also meant market entry by non-viable competitors into the traditional telecom areas.

For workers at the traditional telecom carriers, competition and deregulation have all too often resulted in job cuts, more contracting out of work, a general centralization of operations and major shifts in focus from customer service related jobs held by bargaining unit members to less lucrative marketing jobs or to non-bargaining unit areas of the companies.

Even greater challenges are on the horizon as telephone companies begin to bundle and migrate all of their present circuit switched voice, data and Internet traffic onto next generation IP (Internet Protocol) networks. While IP telephony will allow for greater convergence and an array of enhanced telecommunications services, it will also lead to local service competition and further reductions in maintenance and administration operations which, in turn, will see major job transfers into so-called "new work". Ensuring access to those future job opportunities by CEP members through skill development and training programs will take on even greater priority.

Already, Voice Over Internet (VOIP) telephone service is a reality with traditional telephone companies, cable service providers and others in a headlong rush to package service offerings, define the market and establish

their presence in that market. Many experts term the VOIP innovation a "redefinition" of the industry as it heralds the beginning of what is called the New Generation Networks -- a superhighway of information transmission.

Ever since the Internet "took off" as a data network – for sending e-mail and browsing web sites – companies have been exploring the option of putting voice and other traffic onto the Net or other networks deploying the same technical specifications. Since the Internet uses particular protocols (known as Transmission Control Protocol/Internet Protocol or TCP/IP), this development is called Voice over Internet Protocol or VOIP.

Ensuring universal, affordable basic telephone service is also a concern as the migration of long distance voice and data services onto IP networks could result in reductions in existing contribution levels made towards maintaining the Public Switched Telephone Network (PSTN). Traditionally, higher profit segments of the telephone business – long distance services, etc.-- are used to financially support the basic service (local phones). Urgent policy and regulatory changes are needed if we are to maintain our existing universal, high quality and affordable telephone service in Canada.

Deregulation and competition so far may have led to greater choices in carriers and certain service innovations, but they have also resulted in overall higher telephone rates and a general reduction in quality of service. Basic local telephone rates for residential subscribers have increased by as much as 65% over the last decade while consumer survey results show that a growing number of subscribers consider their quality of service "unacceptably poor."

Residential subscribers in rural and remote communities have been especially hard hit as competition and deregulation continue to erode contributions which are necessary to maintaining universal high quality services in high cost servicing areas. Access in these areas to broadband services is also lacking. Government incentives in these cases are required to ensure the future equal access to broadband services by all Canadians and to bridge what is becoming a deepening digital divide between the "information rich" and the "information poor".

The telecom industry itself has experienced nothing less than a crisis as a result of the mindless pursuit of policies rooted in the ideology of deregulation through unfair competition and globalization. Excessive and misguided investments, privatization of numerous state owned telephone companies, network overcapacity in large urban areas, flawed corporate convergence ventures and widespread restructuring in themselves and

together have created the crisis. The fallout has been an unprecedented number of closures and bankruptcies and, in North America alone, the loss of some 500,000 telecom jobs. Past government policies, then, have not only failed consumers but have clearly failed the people who work in the sector as well.

In Canada, CEP members face the additional and disquieting challenge of ownership of our telephone and broadcasting companies being opened to foreign investors. Should that happen, literally thousands of jobs and the future growth potential of the domestic industry are at risk.

Beyond the economic impact, lifting restrictions on the foreign ownership of our information distribution industry raises serious questions about the ability of the industry to properly address the growing and ever changing information needs of Canadians.

Piecemeal deregulation and unfair competition over the last decade came at the expense of promoting universally affordable telecommunications services, socially necessary projects and improved working conditions in the industry. There is an urgent need, we believe, for government policy initiatives to stem that tide. As a nation, we need to foster employment growth through a comprehensive review of the existing regulatory framework to ensure that unfair competition and deregulation do not further penalize workers at traditional telephone companies, undermine our existing contribution system, or impede future universal access to broadband services.

Access to the wealth of information and services provided through broadband networks should be a national priority and, to that end, CEP proposes ministerial and departmental changes to better reflect the reality of convergence between the Telecom and Broadcast sectors.

In addition, we believe that as new technology continues to impact employment and the industry as a whole, changes are required to Federal labour legislation and to procedures at the Canada Industrial Relations Board (CIRB) so that the rights of workers and consumers are protected.

Legislative change is required to protect employment levels and working conditions and the CIRB needs to speed up its decision making process to protect workers who suffer the consequences of outsourcing of work from one company to another, often a paper shell created for the sole purpose of undermining existing rights and benefits.

CEP represents more than 40,000 workers in the telecom service sector including those employed by incumbent telephone companies such as Aliant, Bell Canada, Manitoba Telecom Services (MTS), Saskatchewan Telecommunications (SaskTel), Northern Telephone (NorTel), and those in the wireless sector such as Aliant Mobility, SaskTel Mobility, MTS Mobility, NorTel Mobility and workers at Entourage Technology Solutions, Progistix Solutions, Nexacor Realty Management, Expertech Network Installation, Teleglobe, Connexim, Rogers Cable TV, Vidéotron Telecom and Shaw Cable.

The collective experience of these workers is what lies at the heart of this policy document. CEP members have lived through the turmoil of recent times and understand as well as anyone what needs fixing in the industry, in government regulatory processes and in legislation. We have worked with consumer and community groups in the past and will continue to do so in order to develop a progressive program to serve the needs of all Canadians.

OUR RECOMMENDATIONS

Recommendation No. 1

CEP opposes any further deregulation of the telecommunications sector and calls upon the Federal government to establish clear public interest objectives and regulations capable of ensuring its coherent and socially progressive development.

Recommendation No. 2

CEP calls for reinstating government policies and regulatory measures capable of ensuring future universal access to high quality modern telecommunications services as well as government measures supportive of this industry and conducive to employment growth.

Recommendation No. 3

CEP calls for regrouping the broadcasting and telecommunications sectors under one Ministry in order to develop a comprehensive approach to our social and cultural needs.

Recommendation No. 4

CEP calls upon the CRTC to hold public hearings in order to establish a more symmetrical regulatory framework governing both telecom and broadcasting distribution undertakings.

Recommendation No. 5

CEP joins millions of other telephone workers around the world in demanding from governments and regulators:

That fair terms of competition be implemented;

That adequate contribution levels be levied on all carriers in order to foster the development of universal access to broadband services; and

That social policy objectives be supported by government initiatives and implemented through regulatory reforms.

Recommendation No. 6

CEP considers that universal high quality affordable telephone service is now threatened and calls for a review of existing contribution mechanisms and regulations regarding VOIP.

Recommendation No. 7

CEP calls for revenue-based contributions to be levied on all major broadband service providers in order to promote access to broadband services in high cost areas.

Recommendation No. 8

CEP calls for the full and equal regulation of all service providers and further demands that the CRTC establish and maintain quality of service standards industry wide and apply these standards to all carriers of telecommunications services.

Recommendation No. 9

CEP demands that the Federal government and employers recognize that telecommunications is an industry in transition and that workers must be provided with every opportunity to take full advantage of new employment or changing work environment openings. To that end, CEP recommends:

- That a Transition Program for employment in telecommunications be negotiated with the industry to include joint union/management training and skills upgrading committees at the local level and that all current workers be given first opportunity at such training; and
- That the Federal government provide initial funding for a job needs inventory as well as ongoing financial support for any training and skills upgrading programs deemed necessary.

Recommendation No. 10

CEP calls upon the federal government to fully implement the National Working Group recommendations on Broadband services.

Recommendation No. 11

CEP also strongly recommends:

- An increase in the present level of revenue-percentage contributions made by telecom providers toward subsidizing telephone services in high cost areas and expansion of the CRTC 2001 contribution mechanism to cover a larger number of providers such as Internet Service Providers and other enterprises entering the telecom sector.
- An increase in federal funding of broadband access through the existing \$2 billion Strategic Infrastructure Fund.
- An increase in federal funding of provincially led projects in New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland as

well as programs such as the Alberta SuperNet, The Saskatchewan Community Net, the Quebec Villages Branches, the Ontario Connect Ontario: Broadband Regional Access (COBRA) and the British Columbia Shared Provincial Access Network (SPAN) program.

Recommendation No. 12

CEP demands the maintenance of restrictions on the foreign control and ownership of carriers in the telecommunications and broadcasting industries.

The Role and Importance of the Telecom Sector

1. Canada's telecommunications sector is one of the major engines of the national economy and includes numerous equipment manufacturers, software developers, telephone and other service providers, and a \$5.5 billion research arm. Telecommunications is a leading edge industry employing tens of thousands of well paid and technically skilled workers whose overall productivity levels regularly surpass those of most other sectors.
2. The industry's underlying importance lies in its presence throughout the economy as the foundation for social advancement and industrial development, a role of ever increasing importance in our developing knowledge based economy.
3. Telecommunications, in fact, is the underpinning of the information age as we witness nothing less than a revolution in our ease to communicate and our ability to access information. Continued development of the industry will dictate how we as a nation develop and progress. Ensuring that the industry meets Canada's growing information, communication and cultural needs and interests must be prioritized by our governments.
4. At the core of its growth and its ongoing convergence with other sectors is the adoption by the telecom sector of the digital language (bits) used by computers. This digitization, combined with the development of powerful new transmission facilities such as fibre optics, DSL (Digital Subscriber Lines) broadband, wireless and satellite technologies are already profoundly changing the way we communicate, work and live.
5. While computers digitize and process information, the telecommunications sector allows us to take that information and transmit it with astounding speed over increasingly powerful and versatile networks. Existing broadband networks can now transmit up to 1.5 to 2 million bits (megabits) of information per second and are expected to soon reach one terabit (one million megabits): a virtually unlimited amount of information at astonishing speeds.
6. We now have at our fingertips intelligent networks, online databases, interactive video.

7. E-mail, e-business solutions, electronic publishing, teleconferencing and smart telephones have resulted from the convergence of the telecommunications and Information Technology sectors (now more commonly known as the Information and Communications Technology Sector – ICTS).
8. Already the ICTS advances are having an impact across the economy and are transforming our society with the growing importance of the Internet, the emergence of IP based media outlets, high definition TV, advances in wireless technologies and e-commerce.
9. More than that, the new advances will bring Canadians new and essential government and other public services including educational, environmental and health care delivery as well as yet unimagined products and services capable of meeting our changing social, business and personal communications needs.
10. But the emergence of ICTS has had many negative impacts as well, with the total digitization of telecommunications resulting in employment loss across the industry in operator and customer services, switching operations, billing, warehousing, installation, and network monitoring. The nature of work of CEP members has changed dramatically, as often as not for the worse, as workers must cope with de-skilling or multi-skilling and all of the stresses related to that process.
11. CEP's role is to keep ahead of these developments, so that our members can be assured of access to the new employment opportunities created by ongoing technological developments.
12. The digitization of all content (voice, data and video), along with the incredible growth in current network capacities and the emergence of new generation networks – transmission capacity doubles every six months – has literally redefined the telecommunications sector and has already blurred, if not entirely erased, the boundary line between it and the mass media. For instance, telephone and cable television companies are tripping over each other in offering traditional and new services to subscribers. Thus we have cable companies and others becoming telephone service providers and we have telephone companies offering cable television and owning print and broadcast media.

13. The federal government sponsored National Broadband Task Force in 2001 described this development stage this way:

“The task force is convinced that, over the next 10 or 20 years, the development of broadband network services and applications will have a profound effect on all aspects of Canadian life. Broadband will transform the way we learn, the way we work, the way we use our leisure, the way we govern ourselves, the way we communicate, the way we express ourselves and the way we care for each other.”

“It is no exaggeration to say that over time the impact of broadband communication on Canadian life will be at least as great as the impact of railways, highways, airlines, traditional telecommunications and broadcasting.”

Report of the National Broadband Task Force, p.6

A Proud History

"I feel that I have at last found the solution to a great problem, and the day is coming when telegraph wires will be laid to houses just like water or gas is, and friends will converse with each other without leaving their homes."

Extract from a letter of Alexander Graham Bell to his father—The Bell System, from *Encyclopedia of Telecommunications* – Charles L. Brown

14. Telecommunications has gone well beyond Bell's vision over the last century to the point where it has transformed our everyday lives. From personal safety to economic growth and from cultural development to industrial expansion, telecommunications has played an important role. It is worth remembering that it was the Canadian National Railway, the country's major telegraph company, which carried the first cross Canada radio program in 1925 and that the CNR and CPR jointly started broadcasting what is now the CBC in 1932. In other words, these sectors have been intrinsically linked for some time and, together, they have helped Canadians define who we are.
15. The historic and contemporary penetration and growth of the telecommunications industry can be traced directly to its affordability and accessibility.
16. In the 19th century, just as electrical grids were being deployed, the invention of the telegraph and that of the telephone were considered technological revolutions, recognized by society and governments as breakthroughs which would change peoples' lives and nations' industrial structures.
17. Thus in 1840, the United States Congress underwrote the construction of the world's first telegraph line between Baltimore and Washington. In Canada, the first telegram was sent between the City Halls of Toronto and Hamilton. Governments saw the potential and the need for a public role in development.
18. It was through existing government owned or publicly regulated railways that the telecommunications sector was born with the Grand Trunk, Canadian National and Canadian Pacific providing pioneer telegraph services.

19. In 1876, south of Brantford, Ontario, a new acoustic device called the telephone became the natural and first technological advancement in the industry. Alexander Graham Bell's invention was as revolutionary in its day as the digitization of data and creation of new generation transmission networks are today.
20. Bell's invention became the foundation of a global industry which created tens of thousands of jobs for operators, linemen, installers, splicers, central office technicians, service representatives and office workers, as millions of miles of cable linked the nation and eventually the world.

Difficult and tumultuous beginnings

21. The development of the telephone industry in Canada into what we now accept as a state of the art telecommunications sector was not without its difficulties, requiring constant government oversight and regulatory control. The Bell Telephone Company, headed by Charles Fleetwood Sise, was created in 1880 and provided local exchange telephone services across Canada.
22. Geographic and capacity problems, however, soon led to the creation of separate companies first in British Columbia and then elsewhere as local interests purchased Bell's facilities in Prince Edward Island, Nova Scotia and New Brunswick.
23. In fact, when Bell's patent expired in 1885, telephone companies started to mushroom all across Canada and by 1915, close to 800 were operating in Ontario alone.
24. Faced with this competition, Bell introduced the first subscriber incentive plan ever – one year's free service for anyone who signed up for three years – a move clearly meant to squash competitors which was subsequently prohibited as predatory by the Board of Railway Commissioners of Canada, the predecessor of the Canadian Radio, Television and Telecommunications Commission (CRTC) of today.
25. At about the same time, Bell decided to subsidize its long distance services with income generated by its local phone service while refusing access to its toll network to local exchange competitors. Once again, the regulator intervened, forcing Bell to allow interconnection.
26. Ever pliable, Bell then increased its interconnection and long distance fees in order to drastically lower its local phone rates, undercutting its competitors in their own backyard, eventually reaching the point where it was able to either kill off or purchase (at rock bottom prices) virtually all of the competition, creating a monopoly for itself.
27. While the governments of the day permitted this to happen, recognizing that economies of scale dictated the development of the industry this way, it also determined that ongoing regulation and close scrutiny would form a part of the normal operating procedure. And that, historically, is why a single provider (monopoly) but heavily regulated system developed. In other words, Bell got its monopoly

and a regulated (guaranteed) rate of return on investment in exchange for fulfilling societal objectives such as providing high quality, universal and affordable telephone service throughout its market.

28. The same economic reality is as true today as it was at the beginning. The industry grows and thrives through economies of scale and scope. In today's world, that truism has led to continuous mergers and acquisitions in the core business and expansion into integrally related but formerly separate businesses such as media, especially broadcasting and cable service provision.
29. As networks develop into powerful pipelines of information and communications services, any further deregulation of the industry, especially if combined with the lifting of foreign ownership restrictions, would create massive, foreign owned conglomerates. We already have evidence of this inevitability from the recent past with the flurry of mergers prior to the dot com bubble burst and the more recent examples in the wireless and cable operations in the U.S. CEP is resolved to seek ongoing oversight and control of the industry so that not just economic but social and cultural goals can be clearly set and monitored by an even stronger regulatory agency.

Recommendation No. 1

CEP opposes any further deregulation of the telecommunications sector and calls upon the Federal government to establish clear public interest objectives and regulations capable of ensuring its coherent and socially progressive development.

Achieving cross Canada telephone services

30. Today's national telecommunications network was not created overnight. Climate, geography and other logistics were huge hurdles in the way and it took political will and determination to by-pass an already existing network in the United States over which most Canadian long distance calls were once routed.
31. One of the first major steps was the creation of the Trans Canada Telephone System (TCTS) in 1932. TCTS, later named Telecom Canada, became a world leader by 1958 with inauguration of a 139 station, 5,400 km long microwave route which firmly entrenched the pan Canadian network.
32. The next important step was the launch by Telesat Canada, a government controlled company until 1992, of communications satellites capable of transmitting telephone, data, radio and television signals from coast to coast to coast. These satellites and earth stations still form a significant part of our national telecommunications system today.
33. One of the last links was created in 1949 with the establishment of the Canadian Overseas Telecommunication Corporation, renamed Teleglobe Canada in 1975. Teleglobe negotiated international accords which interconnected Canada to the world.
34. During these years and until the late 1970's, regulated telephone monopolies, many of them government owned in many parts of the world, dominated the telecommunications sector.
35. In Canada, the strategy was to allow territorial monopolies in return for servicing and expansion obligations. Only later did a protracted fight between Bell Canada and consumer groups in the Prairie provinces lead to the creation of Crown Corporations in Manitoba, Saskatchewan and Alberta where it was determined that only public ownership could ensure universal quality phone service at affordable rates.
36. The norm we now accept as a given – high quality, accessibility and affordability – took many, many years to achieve as the telephone was first considered a luxury as opposed to the essential service it has

become. The current high ninety percentile penetration rate in Canada was not attained until the 1970's.

37. And the only way we as a nation got to that point was because of clear policy objectives, government ownership or incentives, and a regulatory regime based on the broad public good. It was on this base that the Canadian industry grew to world class status and, in so doing, provided stable, well paying jobs for tens of thousands of Canadians.

Recommendation No. 2

CEP calls for reinstating government policies and regulatory measures capable of ensuring future universal access to high quality modern telecommunications services as well as government measures supportive of this industry and conducive to employment growth.

The Deregulation of the Telecom Industry

38. Pushed by multi-national companies and riding the neo-conservative wave created by the UK's Margaret Thatcher and the US's Ronald Reagan, deregulation took a firm hold in the 1980's, starting gradually in the telecommunications sector.
39. First initiated by the US Federal Communications Commission (FCC), deregulation began with decisions to allow the attachment of private telephone terminals to the publicly switched system owned by AT&T and another which permitted establishment of private networks for internal business use.
40. A flood of other decisions ensued over the years and, in 1982, the U.S. Department of Justice spearheaded the break up of AT&T, the world's largest telephone company. With that break up, the U.S. government aggressively took the American model to the international bargaining table, exporting the deregulated system across the globe through trade agreements.
41. From the start, deregulation hit consumers in the pocket. Between 1983 and 1985, according to the Consumers Federation of America, local base rates jumped by 50% and many subscribers were forced into paying for local calls (local measured service) in the same way they paid for long distance.
42. Workers, too, were hard hit. The Communications Workers of America estimates that some 120,000 U.S. telephone workers lost their jobs as a result of those early decisions and the divestiture of AT&T.
43. Against this backdrop, CEP and other unions took part in the first major CRTC proceedings in 1979 on the very same terminal attachment issue. As in the U.S., this was the beginning of what was to be a series of hearings, decisions and legislative amendments leading to the gradual deregulation of Canada's telecommunications sector.
44. In 1983, CNCP Telecommunications and BC Rail asked the CRTC to permit interconnection of their networks with those of Bell and BC Tel (now Telus) so that they could compete with the telephone companies for lucrative long distance business.

45. CEP and other unions in the industry opposed the application and mounted a massive public campaign against it.
46. The campaign is an important milestone because it was one of the first times the labour movement as a whole was able to build massive support through the creation of a broad coalition of anti-poverty, consumer, church, and community groups and even some provincial and municipal governments from one end of the country to the other.
47. CEP efforts paid off when the CRTC rendered its decision in 1985 denying the CNCP and BC Rail application on the grounds that it was not in the public interest, saying:

“In approving CNCP’s application, the Commission would be according benefits to CNCP subscribers at the expense of existing telephone subscribers in the form of higher local rates.”
48. The victory, while heralded at the time, was short lived.
49. In 1993, the government revised the Telecommunications Act promoting increased reliance on market forces and deregulation which, in turn, led the next year to a CRTC initiated rate rebalancing process that significantly reduced the requirement for support for local phone service from revenues earned on long distance business. The support payments are meant to cover the shortfall in revenues from local service to cover the cost of local networks (loops), switching and other related local access components allowing for connection of interexchange (i.e. long distance) networks and services.
50. Rate rebalancing resulted in three successive annual increases of \$2 per month in local phone bills from 1995 to 1998 when an additional \$3 per month per subscriber was permitted by the CRTC in order, it said, to stimulate the benefits from competition.
51. A study by the Organization for Economic Co-operation and Development (OECD) shows that from 1995 to 2000, residential phone subscribers would have needed to consume 125 minutes per month of domestic long distance calls in order to have benefited from rate rebalancing. Another indication of the folly of the policy is the fact that contributions to support the local phone system amounted to \$3 billion in 1993 while today -- in a much expanded market -- the subsidy contributions, based on a percentage of revenues, are estimated at no more than \$250 million.

52. While its proponents continue to argue that competition has driven down the price of long distance services, much of the decrease is in fact the result of either technological advances in transmission facilities or regulatory initiatives aimed at reducing the level of cross subsidies flowing from long distance to support the local/access shortfall.
53. Rate rebalancing, in the final analysis, amounts to wealth redistribution of the worst sort – increased payment from ordinary residential phone users and substantially lower payments for long distance and local service from business users. As the following table shows, local phone rates have increased by between 30% and 65% since 1990 while business rates have decreased between 27% and 31% in two of the major markets examined (Toronto and Vancouver).

Residential local service (individual line) rates

Location/ Year	Toronto, Ontario	Vancouver British-Columbia
1990	17.30	15.50
1991	17.30	15.50
1992	17.30	15.50
1993	17.30	15.50
1994	17.30	17.00
1995	17.30	17.00
1996	19.30	19.00
1997	21.30	21.25
1998	21.60	24.70
1999	21.60	24.70
2000	21.95	24.95
2001	22.60	25.60

Source: CRTC

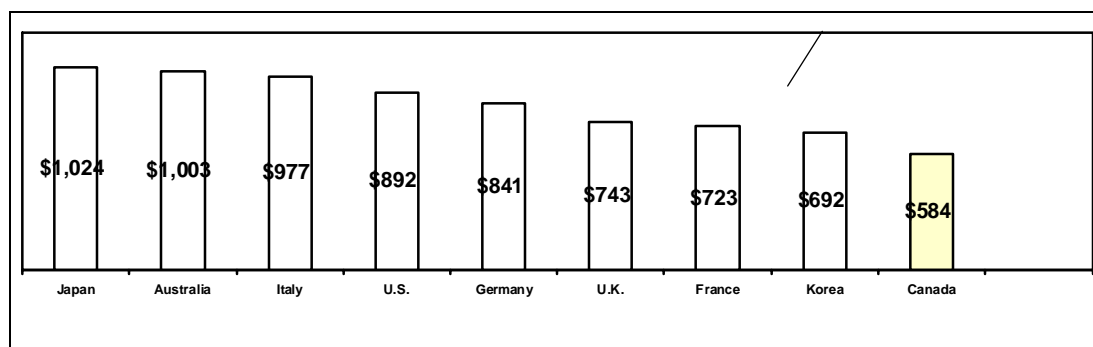
Business local service (individual line) rates

Location/ Year	Toronto, Ontario	Vancouver British-Columbia
1990	55.10	54.45
1991	55.10	54.45
1992	55.10	54.45
1993	55.10	54.45
1994	51.80	57.00
1995	51.80	57.00
1996	51.80	48.00
1997	45.45	48.00
1998	39.95	49.45
1999	39.95	40.50
2000	39.95	40.50
2001	39.95	37.50

Source: CRTC

54. Of particular note in this context was acceptance of reduced subsidies supporting local phone service from long distance revenue because big business insisted their costs had to come down in order to remain competitive with their American counterparts.
55. In fact, Canadian companies today pay less for comparable services than their competitors in most OECD countries, including the United States:

Business Service Basket Prices¹



¹ A composite of prices for basic local telephone charges, installation and repair charges, telephone equipment charges and long distance charges. Source: OECD

The piecemeal deregulation of the industry

56. The following table outlining major developments and CRTC decisions since 1978 shows how the industry has been deregulated piece by piece beginning with a study which led to drastic reductions in cross subsidies supporting affordable local telephone service.

Major Events and CRTC Decisions

1978	Initiation of a cost inquiry to establish reporting mechanisms for the CRTC to identify cross-subsidies. This concluded with Phase III 1 1985.
1979	Telephone companies' monopoly on private (leased) lines connected to PSTN ended (CRTC 79-11).
1980	Liberalization of telephone sets and customer premise equipment markets.
1984	Regional duopolies in mobile cellular market set up.
1985	CRTC denies request to interconnect with incumbents by CNCP for the provision of long distance competitive services. Concluded that benefits would not be sufficient.
1989	Supreme Court confirms Federal jurisdiction over Provincial telephone companies.
1992	Market for public long distance voice services opened to competition (CRTC 92-12). Pre-selection for long distance introduced and framework for subsidy (contribution) from long distance to support local residential service rates formalized (Decision 92-12).
1993	Telecommunications Act passed.
1994	Establishment of new regulatory framework: Review of Regulatory Framework (CRTC 94-19).
1995	Competitive wireless Personal Communications Systems licensed.
1997	Canadian Radio-television and Telecommunications Commission (CRTC) announced regulatory framework for competition in local telephone services (Decision CRTC 97-8).

1998	CRTC liberalized public pay telephone service market (Decision CRTC 98-8). Price caps implemented (CRTC 98-2). The Government of Canada liberalized the facilities-based international telecommunications market. Regulatory framework for international services established (CRTC 98-17).
1999	The CRTC required cable carriers to provide discount Internet service to other ISPs (Decision CRTC 99-11). Resellers provided with access to central office switches through competitive co-location facilities (CRTC 99-1107).
2000	Telesat Canada's monopoly on satellite telecommunication carriage ended. Long distance competition introduced in the areas served by Northwestel (mainly Northwest Territories, Yukon, Nunavut and northern British Columbia) (CRTC 2000-746).
2001	Changes to the Contribution Regime (universal service funding came into effect) (CRTC 2000-745).

57. While competition in telecommunications began in 1979, it was not until 1992 that the CRTC abandoned monopoly regulation in favour of facility based competition in the lucrative long distance markets.
58. Since then, we have seen what can only be described as a series of "regulated market share allocation" decisions aimed at broadening competition. At each step of the way, business and the CRTC, the regulatory agency supposedly guarding the public interest, touted the increase in competition as bringing an array of benefits that would be shared by all Canadians. In fact, CEP's view is that deregulation and competition have enhanced corporate power and profits without benefiting the rest of society.
59. While competition and deregulation in the U.S. came about brutally with the dismantling of AT&T, Canada's governments and regulator opted for a less dramatic "accounting separation" approach aimed at stopping predatory pricing by incumbent telephone companies while giving new entrants substantial advantages by relieving them of the full burden of contributing towards maintenance of the existing networks.
60. While the gradual approach of the CRTC meant that we avoided the immediate, massive employment loss and local phone rate increases experienced in the U.S., it still should be underlined that it is no better

in the long run because, inevitably, basic service still decreased and people paid more.

61. As described elsewhere, the CRTC first endorsed rate rebalancing as a means of fostering competition and then, after three years, brought in price cap regulation (the system in use today), a split rate system whereby services considered not sufficiently competitive (basic phones, for instance) remain subject to price caps while services deemed otherwise are gradually deregulated.
62. Price cap or split rate regulation means that while increases in most of the incumbent phone company's local exchange services remain controlled, rates for services considered sufficiently competitive are gradually left to market forces. In other words, incumbent phone companies are forced to provide basic services for a regulated rate while their more lucrative markets (business services, added phone features, long distance, etc.) are open to competitors who don't have to contribute to the maintenance and expansion of the existing networks. Result? Phone companies don't provide anywhere near the service they used to because, in order to maintain profit levels, they have slashed upwards of 10,000 jobs. A good deal of the work once performed by telephone company employees was either contracted out or transferred over to non-unionized subsidiaries of existing employers, often created as a means of cutting wages and benefits.
63. Before all of this, rates were established in accordance with "value of service principles" in mind and did not necessarily reflect the costs of each specific service. That is why cross subsidies for basic service were introduced and that is why the networks expanded while rates remained affordable and service continued to be accessible.
64. Capital expenditures on such things as maintenance, modernization and expansion were secured by a regulated rate of return. Legislation -- such as foreign ownership restrictions -- promoted the use of our domestic facilities for both overseas and pan-Canadian calls. Finally, income sharing between telephone companies was also used to ensure universal, affordable telephone services.
65. With the introduction of competition in the lucrative long distance market, the foundation upon which the system grew into one of the world's best, is eroding. Instead, cost based pricing has become the norm and deregulation has replaced the broad public interest as the goal of our legislators and regulators. In fact, the present regulatory

system actually roadblocks incumbent telephone companies from bundling their regulated and competitive services so that the market place is not at all truly competitive.

66. Rate rebalancing followed by price cap regulation and combined with business oriented versus public interest regulation have all led directly to substantial local telephone rate increases to the point where access to basic phone service by lower income consumers is actually in jeopardy.
67. In fact, the shift toward cost based pricing has been so radical that local residential subscribers are now footing the bill for network enhancements that often benefit only business subscribers.
68. All of this is happening despite predictions from unions and industry observers such as Vincent Mosco, former head of the Carleton University School of Communications, who wrote in 1990 *Transforming Telecommunications in Canada*, a report which pointed out that competition and deregulation were already causing "a massive transfer of the costs of corporate telephone services towards residential customers," concluding:

"This simply illustrates the principle according to which deregulation consists, in practice, little more than the passing on of costs to less powerful players on the political scene."
69. The situation has become more pronounced since that time as legislators and regulators have abandoned the socially progressive objectives that enabled us to develop one of the best telephone systems in the world, choosing instead to blindly rely on the market place through competition and deregulation to keep the system going.
70. Ironically, while the CRTC touted competition as the new wave, it has consistently restricted incumbent telephone companies from competing against new entrants – introducing a rule, for instance, whereby telcos could not attempt to win back subscribers lost to a competitor for at least a year and preventing existing companies from bundling all of their services as incentives to keep customers.
71. The CRTC, in our view, has become the champion of the market place above all else instead of the guardian of public interest it is meant to be.

72. The CRTC's attempts at micro-managing the industry continue to impact negatively on CEP members and existing telephone subscribers as it artificially props up new entrants and impedes telephone companies from offering a broader range of services to Canadians.
73. CEP's view is that it is time for the CRTC to change its course, beginning with a basic review and restructuring of its regulatory framework to ensure universal access to broadband services.
74. This review of its role and regulations, we propose, should examine issues such as service bundling and include a look at cost allocation mechanisms and constraints on incumbent telcos as we head into broader IP and next generation networks.
75. Fundamentally, a comprehensive review is needed mostly in order to nurture the development of broadband services and ensure that all Canadians benefit from the technological changes that are driving this industry.
76. Ensuring clear public policy objectives rather than fostering unfair competition through uneven regulation is crucial to the efficient and affordable deployment of broadband networks capable of meeting the future needs of the country, especially since social, cultural and economic growth are becoming more and more dependent on the sector.
77. Universal broadband service, we assert, is as important a national objective for Canada's future as was universal, affordable basic phone service in the past. Broadband, in short, is our future!
78. To that end, our federal government should oversee its development directly and make sure that remote and rural communities as well as smaller urban centres are just as well linked as large cities or large corporations.
79. Market forces alone, based on our history and past industry performance, will not provide affordable services to these areas. It will take improvement to existing funding mechanisms and other government incentives to ensure true universality and affordability of new generation services.
80. Without such financial initiatives and without a complete regulatory review, unequally regulated competition will continue to lead to

network overcapacity in large urban areas while smaller and more remote centres will remain underserved.

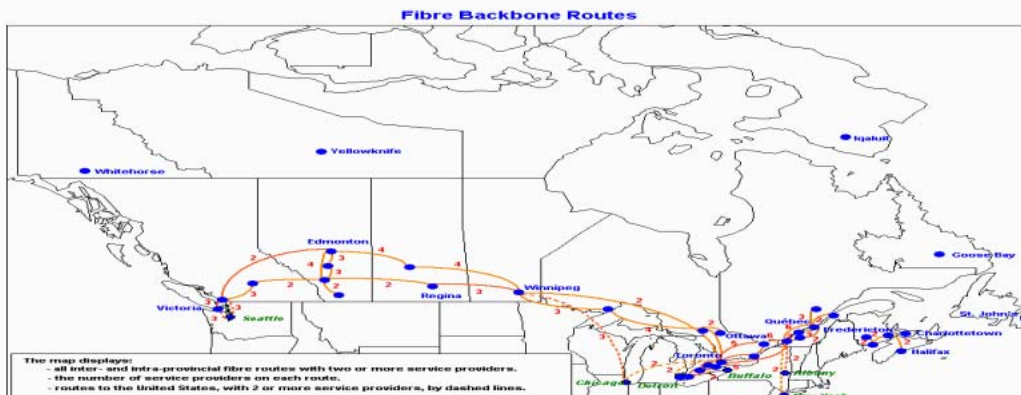
81. On line delivery of education, health care and various other public information services are other reasons for fostering the deployment of universal broadband networks but, most of all, coherent ministerial structures in line with our cultural, social and industrial needs are also required.
82. Moreover, corporate and technological convergence between the telecom and broadcasting sectors lead naturally, in our view, to the integration of the Federal agencies responsible for both so that coherent and progressive social and cultural objectives can be set and met.

Recommendation No. 3

CEP calls for regrouping the broadcasting and telecommunications sectors under one Ministry in order to develop a comprehensive approach to our social and cultural needs.

Maintaining Canada as a World Leader in Telecommunications: a Network of Networks.

83. From plain old telephone services to the latest mobile communications devices and the Internet, Canada has long been regarded as a world leader in the telecommunications sector. Our services and networks, in fact, are the envy of other industrialized nations. Here are a few Canadian “firsts” in the industry:
- World’s first digital microwave network (1971)
 - World’s first commercial domestic communications satellite (1972)
 - Northern Telecom (NORTEL) first company to offer complete line of digital telecom services (1976)
 - Canada completes world largest contiguous cellular network (1989-1990)
 - World’s largest domestic Asynchronous Transfer Mode network (ATM) completed (1993)
 - First major OECD nation to launch DSL service (1996)
 - First country to connect all public schools and libraries to the Internet (1999).
84. Telecommunications is also, by far, our country’s fastest growing high tech sector. Business and consumer demand for telecommunications services between 1977 and 2002 have led to increases in the industry’s operating revenues of more than 43%. The sector’s contribution to Canada’s Gross Domestic Product (GDP) over the same period has increased by 68.2% and our telecommunications sector, as measured by operating revenues, is now ranked the 7th largest among OECD countries.
85. The following graphic, taken from a November 2003 report of the CRTC, shows that the sector is also a fast changing one with a growing number of carriers and service providers entering the market constantly. It has become a network of networks, a multiplicity of networks increasingly relying on powerful fibre optic transmission facilities that crisscross the country from coast to coast to coast. The route map illustrates exactly how extensive facility based competition has become in Canada.



86. Telecommunication carriers now include telephone companies, cable operators, radio communications, cellular and Direct to Home (DTH) satellite undertakings as well as resellers (usually long distance services) and some 256 Internet Service Providers (ISPs).
86. For present regulatory purposes, they are classified as either incumbents or alternative service providers for each market in which they operate. Incumbent operators, or more precisely Incumbent Local Exchange Carriers (ILECs) are those companies that had exclusive rights to provide local services in a specified region prior to deregulation.
88. They range from municipal telephone companies and co-operatives (Small Incumbents) to large Crown Corporations and privately owned regional telephone companies (Large Incumbents) such as SaskTel, Bell Canada, Telus, Aliant, etc. Wireline affiliates of ILECs such as Bell West as well as wireless operators under the Canada mobility group of companies are also classified as incumbents.
89. Alternatives to incumbents or new entrants in the telecom sector are classified as competitive local exchange carriers (CLECs) and include resellers, competitive pay telephone service providers and wireless service providers not affiliated with any ILEC. Also included in this category are cable monopolies such as Rogers Communications Inc., Shaw Communications Inc., Le Group Videotron, Cogeco and other operators such as EastLink Cable Systems.

90. In the long distance markets, CLECs include network based service providers such as Allstream, Call-Net, Videotron Telecom, Microcell, FCI Broadband, 360 Networks, GT Group Telecom as well as non-facility based competitors or resellers such as Primus Telecommunications Canada Inc., Distributel, YAK Communications and ISPs. Resellers essentially lease transmission facilities from ILECs at wholesale prices and resell them to customers.
91. CLECs also include utility companies which are increasingly using their right of way, support structures and internal telecom facilities to become long distance service providers. Utility telcos include companies such as Hydro Quebec, Hydro One Telecom Inc., Toronto Hydro Telecom Inc. and FibreWired Network. Recent technological innovations will allow these utility companies to offer a full range of IP services.
92. Utilities, in fact, are in a better position than most to turn into very important telecommunications carriers using IP technology because they already have networks in place which have access to every single household in the country.
93. So, over the last decade, Canada's telecom sector has changed face and has evolved to the point where almost monthly there appears a new provider offering an increasing range of residential and business services.
94. The following table provides an overview of the share of the \$32 billion telecommunications service market held by each category of service provider:

Total Telecommunications Service Revenues by Type of Market Participant (\$ Millions)

	1998	1999	2000	2001	2002
Incumbent Carriers					
Large	20,502.1	20,825.7	22,760.2	24,829.7	23,960.8
Small	249.7	254.6	278.4	281.9	319.5
Sub-total	20,751.8	21,080.3	23,038.6	25,111.6	24,280.3
Competitors					
Facilities-based	2,652.1	2,995.4	3,562.7	3,739.8	3,660.0
Resellers	93.6	348.5	558.0	647.2	1,191.6
Cable Providers	1,385.2	1,617.2	2,037.7	2,448.4	3,009.2
Utility Telcos	0.0	0.1	5.6	31.2	104.5
Sub-total	4,130.9	4,961.2	6,164.0	6,866.6	7,965.3
Total	24,882.7	26,041.5	29,202.6	31,978.2	32,245.6

95. As illustrated above, incumbent telephone companies remain the dominant carriers, generating some \$24.5 billion or 75% of the total market share of revenues and employing some 79.6% of the total industry workforce. While the above numbers reflect the picture today, they should be considered only a snap shot and not necessarily a true reflection of what the market will look like in the Internet and wireless based future.

Internet Services

96. Internet Services are the fastest growing segment of the telecommunications market. Internet service revenues literally skyrocketed in the four year period from 1998 to 2002 (the latest year for which complete figures are available) from \$392.6 million to over \$2.6 billion.
97. As illustrated below, the Internet segment of the market is also one of the most highly competitive:

Internet Access Revenues by Market

Participant Groups (\$ millions)

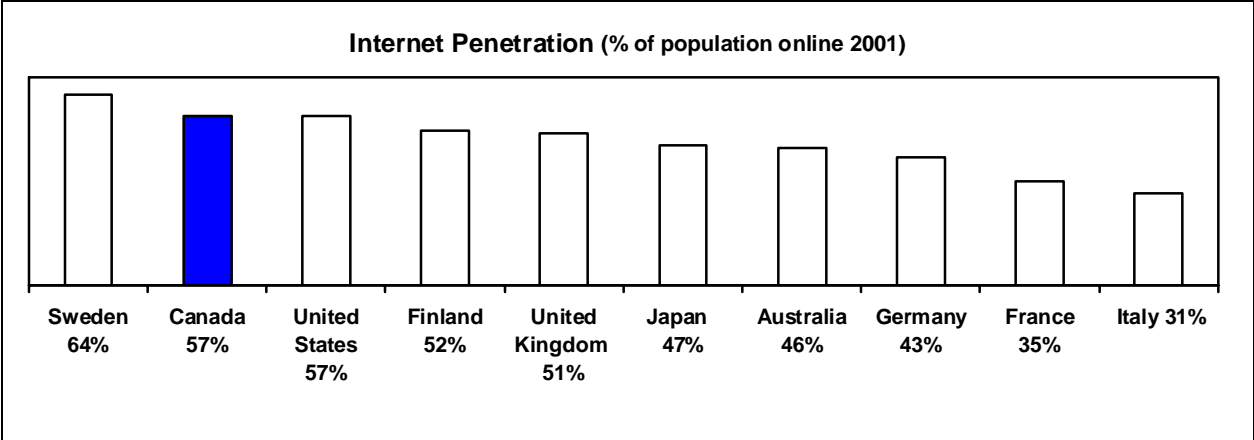
Residential Segment - Retail Internet Access Revenues					
	1998	1999	2000	2001	2002
ILECs	118.5	217.3	334.5	551.5	780.0
<i>Market Share</i>	36.4%	39.1%	34.3%	37.7%	40.1%
Cable	53.5	142.6	326.1	570.8	846.2
<i>Market Share</i>	16.4%	25.6%	33.5%	39.0%	43.6%
Competitors	153.5	196.5	314.1	339.6	316.9
<i>Market Share</i>	47.2%	35.3%	32.2%	23.2%	16.3%
Total	325.5	556.4	974.7	1,461.9	1,943.0
Business Segment - Retail Internet Access Revenues					
	1998	1999	2000	2001	2002
ILECs	23.0	115.9	96.9	230.4	265.5
<i>Market Share</i>	34.3%	52.4%	30.4%	42.8%	44.7%
Cable	1.4	2.8	5.6	44.3	53.2
<i>Market Share</i>	2.1%	1.3%	1.8%	8.2%	9.0%
Competitors	42.7	102.6	216.0	263.0	275.1
<i>Market Share</i>	63.6%	46.4%	67.8%	48.9%	46.3%
Total	67.1	221.3	318.5	537.6 #	593.8

Source: CRTC Data Collection

98. As different carriers prepare to bundle and offer an array of IP based services, including telephony, the need for rules and regulation governing competition in the segment becomes more and more clear.
99. Three principal groups of market participants now provide retail Internet access services in Canada. The first group includes the ILECs who provide dial-up and DSL Internet access services over copper

lines as well as high-speed services to business customers over fibre facilities.

100. The second group includes the cable companies providing high-speed Internet access over their coaxial cable facilities and, to a limited degree, switched or dial-up access services, such as in the case of EastLink Cable system.
101. The third group includes competitive facility-based service providers such as Allstream, Call-Net, 360networks, FCI Broadband and Look Communications, as well as utility company subsidiaries. This group of alternative Internet service providers focuses to a greater extent on business market services and relies in large part on fibre facilities or wireless technologies.
102. A fourth group (not shown in the above table) but whose revenues are included, since they lease access lines from the above other three groups mentioned, consists of non-facility based ISPs (Internet service Providers) such as AOL Canada Inc., Cybersurf Corp., Inter.net Canada and PCNet International, who essentially resale leased access lines from facility-based providers.
103. By the end of 2001, 57% of Canadians were subscribing to Internet Services. Our public switched telecom network (PSTN) coupled with well developed cable television networks and a fast growing wireless sector have in fact well positioned Canada for Internet and other IP based services access and growth. In 2001, Canada ranked second amongst OECD countries in overall penetration rate while more recent studies indicate that the percentage of Canadian households with access to high-speed Internet services was estimated at twice that of the US.



Source: OECD

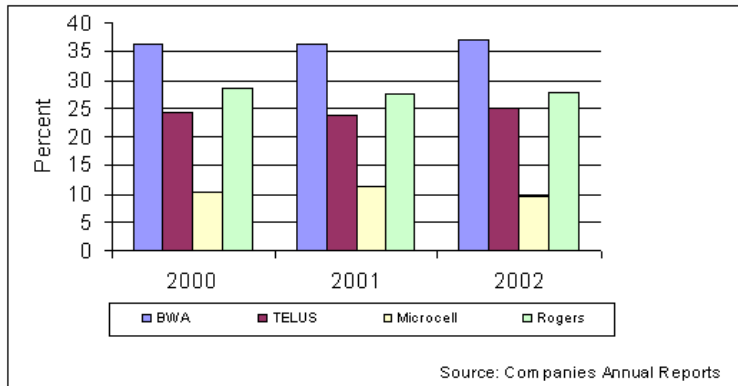
104. In terms of penetration rates, approximately 85% of Canadians are living in communities that are served by Internet access, however 80% of rural communities still remain un-served. This is a situation that clearly requires government intervention and further public funding to help seed private sector investments.

The Wireless Sector

105. Also increasingly important in our telecom landscape is the wireless sector (24% of total telecommunication revenues). Money losing wireless operators are now finally approaching breakeven points and are poised to grow into other market segments including important wireless broadband services.
106. The growth in the Canadian wireless sector mirrors a worldwide phenomenon. This sector is growing rapidly with over 1.2 billion users worldwide, a 20% increase since 2001. At this rate, by 2010 one out of every three people in the world will own a cell phone. According to the International Telecommunication Union, the number of cellular mobile subscribers in 2002 was greater than the number of main telephone lines in the world.
107. This sector now offers a range of services including mobile telephone, paging and mobile data services (such as text messaging and wireless Internet access). From analogue to digital this sector is rapidly embracing the digital revolution and is well positioned to offer IP services.
108. Industry participants in this sector include both national and regional wireless carriers as well as entities that resell the services of these carriers. In 2002, the mobile and paging sector had revenues of approximately \$7.5 billion, a 10.8% increase over the previous year and approximately 12 million subscribers representing an 11.1% increase.
109. Based on revenues, the three largest suppliers such as TELUS, Rogers AT&T and Bell Wireless Alliance (including Bell Mobility, Aliant Mobility, SaskTel Mobility, MTS Mobility, Northwestel Mobility, Télébec Mobility and NorTel Mobility) have a market share of approximately 90%.
110. As a note regarding what might well develop as an industry trend over the next few years, Microcell has entered into an agreement with Sprint Canada (Call-Net) to provide residential subscribers with a wireless-wireline bundled basket of services -- an arrangement designed to offer a single point of contact and one monthly bill to its customers. Both wireline and wireless services providers are aiming at

providing a triple play basket of services including telecommunications, broadcasting and Internet services.

111. The wireless sector, like the Internet, is also very competitive as the following market revenue shares indicate:



112. This segment of the industry is bound to grow in coming years as mobile service networks now cover 94% of the Canadian population while subscription rates now stand at 30%.
113. Most importantly, while wireless services were historically looked upon as a complement to wireline services rather than a substitute, this is rapidly changing as wireless is now impacting on a number of fixed wireline market segments. The number of pay phones for instance is now in decline while data and private line (dedicated) services will be subject to wireless substitution based on cost considerations.
114. Overall, this segment is contributing to a clear decline in fixed access lines to the PSTN. This decline was first registered in 2000 and is now accelerating as wireline access to the PSTN was down a further 2.7% by the end of 2002.
115. This decline in wireline access cannot be solely explained by wireless substitution. It is also the result of other major shifts in the industry and regulatory decisions which are impacting on traditional revenue sources, as illustrated in the following table:

Distribution of Telecommunications Service Revenues (\$ Billions)

	1999	2000	Growth
Long distance voice	8.5	7.8	-8%
Local and access	9.0	9.6	7%
Data (excluding Internet)	3.6	4.6	28%
Internet	0.8	1.3	63%
Mobile (excluding satellite)	4.6	5.4	17%
Total	26.5	28.7	8%

Source: CRTC

Shifting Revenues and the Internet

116. As with everything else in the telecommunications industry, revenue sources have been shifting dramatically in recent years. Income from long distance services, for instance, have been declining since 1988 whereas income from local services and access revenues are on the rise.
117. While long distance time usage increased by 15% in 1998, the monies earned by the telephone companies from this part of their business declined by 11% that same year (information from a report by Iain Angus of Angus TeleManagement). Long distance revenues continued to drop by 2.9% the following year and have continued to do so ever since.
118. There are many factors behind this change in revenue source but cumulative regulatory decisions which shifted revenue streams towards local subscribers are clearly an important reason.
119. The trend is likely to accelerate with the ongoing switch of all services from circuit switching to packet switching (VOIP) and the likelihood is that all traditional categories or classifications of revenue streams will be impacted, not just long distance.
120. In fact, we may be witnessing the death of traditional long distance as well as many other basic services currently provided by the traditional phone companies as the bundling of services on IP based networks will allow access to all local, long distance, data, voice, broadcast and multimedia services for a monthly fixed rate.
121. While cable operators have been offering co-axial high speed Internet services for some time and are now preparing to offer VOIP services, telephone companies have been notably slow in offering equivalent services. In fact, except for Telus Corporation and publicly owned SaskTel, Canadian phone companies have only recently announced major upgrades to their existing networks and their intent to move to IP based services in a significant way.
122. On December 17, 2003, Bell Canada announced a three year program intended to migrate 100% of its traffic onto a national IP backbone network within three years with 90% of its customers having access to a full slate of value added IP services. Thus, says Bell, will it be able

to offer a complete range of telecom and broadband services while, at the same time, reduce annual operating and maintenance costs between \$600 million and \$1 billion.

123. For CEP members, this is sure to mean the prospect of lower employment levels related to traditional network work and the potential transfer of thousands of jobs into the IP related sectors of the company's operations.
124. Likewise, AllStream announced that it has joined Microcell and NR Communications, a privately owned U.S. investment firm, in building a \$135 million wireless IP based network called IP-One.
125. The race, in other words, is on as we see not only telephone companies but others such as cable operators Shaw, Videotron and Rogers enter the IP field where certain broadcasters and resellers such as Primus Telecommunications have already made moves to establish themselves.
126. Furthermore, new delivery systems such as Direct to Home and multi-point distribution systems will also be offering bundled Internet services while the roll out of 3G (3rd generation) mobile services will provide wireless subscribers with high speed data services and unprecedented access to personalized information and entertainment services through the emergence of mobile multimedia portals. With digitization, existing telecommunications and broadcasting carriers are turning into full blown multimedia distributors.
127. All of which, we submit, underlines the importance of establishing fair rules of competition. As service boundaries between carriers become more blurred, competition increases and an in depth examination of the regulatory regime takes on more and more urgency.
128. The cable operators, in particular, need oversight as never before since they have been operating under a completely different set of regulations from the telecommunications carriers. With the convergence of the two, a single regulatory regime is imperative.
129. In other words, the moving of all service offerings over Internet Protocol based networks, whether by cable modem, DSL or wireless technologies, changes the very premise upon which our present regulatory framework is based.

130. Reviewing CRTC rules regarding the bundling of utility services with other enhanced services is not only critical in allowing for fair terms of competition, it is also essential in promoting the efficient deployment of broadband networks and universal access to broadband services.
131. Existing price cap regulation and cost separation mechanisms developed for legacy networks will become increasingly obsolete as all carriers move toward IP based networks and compete as providers of both telecom and broadband services.
132. Convergence of the sectors, CEP insists, requires bold and immediate review of our regulatory system!

Recommendation No. 4

CEP calls upon the CRTC to hold public hearings in order to establish a more symmetrical regulatory framework governing both telecom and broadcasting distribution undertakings.

Capital Expenditures (CAPEX)

133. Capital investments in the telecommunications sector have outpaced all other economic sectors in the country with a compounded growth rate over the last decade of 3%.
134. The Canadian industry, in fact, was one of the leaders amongst OECD nations as capital expenditures reached \$6 billion in 1999, compared to \$4 billion per year in the middle of the decade.

Telecommunications Investment as a Percentage of Revenue

	1986-89	1988-91	1992-94	1995	1996	1997	1988	1999
Canada	27.1	30.3	16.4	21.7	22.5	23.5	24.4	28.2
France	31.6	27.2	25.8	22.9	19.5	22.4	22.4	17.0
Germany	42.0	45.4	41.0	24.5	33.7	27.4	22.1	21.6
Italy	40.0	55.6	38.0	22.9	22.4	23.3	27.4	22.9
UK	20.8	18.8	13.3	14.4	23.8	27.9	20.0	25.3
US	16.9	16.3	16.0	19.4	20.1	21.1	24.1	29.3
OECD	25.8	27.5	25.0	24.0	25.4	24.4	25.1	26.6

Source: OECD, Communications Outlook 2001

135. The CAPEX figures are no longer the reliable barometers of the health of the industry that they once were, however, as telecommunications globally has experienced a sort of meltdown characterized by excessive and misguided investments, network overcapacity in large urban areas, widespread restructuring, closures and bankruptcies.
136. While the industry was spending money, the net result on employment levels was disastrous with upwards of 500,000 fewer jobs worldwide in the space of a decade. While capital expenditure was being drastically reduced elsewhere, investments in Canada remained robust even during the beginning of the worldwide telecom meltdown.

Change in Investment per Capita (2000-2001)

Canada	22%
United Kingdom	0%
Australia	-14%
OECD Average	-16%
Germany	-17%
Japan	-21%
United States	-21%
Korea	-38%

Source: OECD Communications Outlook 2003

137. But by 2002, the inevitable effects of network over capacity, brought on by deregulation and competition, began to show as capital expenditures in Canada were slashed by an astonishing 25%. Starting in 2002, wireline incumbents sharply reduced their spending by \$1 billion while wireless service providers reduced their expenditures that same year to \$1.6 billion from a peak of \$2 billion in 2001.
138. Write downs and restructuring costs also impacted the industry. CLECs reported asset write downs of \$3.2 billion and restructuring costs of \$150 million in 2002. Incumbents reported asset write downs totalling \$60 million and restructuring costs, generally related to workforce reduction, totalling a whopping \$1.2 billion.
139. As elsewhere on the globe, the Canadian industry has also seen its share of bankruptcies in recent years: large wireline competitors such as Allstream, Call-Net (Sprint Canada), 360 Networks, Group Telecom, and Microcell all sought protection under the Companies' Creditors Arrangement Act resulting in the elimination of over \$8.3 billion in long term debt from their collective balance sheets. BCE's foray into international markets resulted in the bankruptcy of BCI (Bell Canada International) and an \$8 billion write down of its investment in Teleglobe.

Recommendation No. 5

CEP joins millions of other telephone workers around the world in demanding from governments and regulators:

That fair terms of competition be implemented;

That adequate contribution levels be levied on all carriers in order to foster the development of universal access to broadband services; and

That social policy objectives be supported by government initiatives and implemented through regulatory reforms.

What's happening to Universal High Quality Affordable Telephone Service?

140. Telephone penetration rate in Canada now stands at 97.8%, second in ranking amongst all OECD countries. While this is an impressive figure, especially given our geography, it is worth noting that it is a decline from just a few short years ago when 98.4% of all Canadians had access to telephone service.
141. The decline may seem minimal but it is nonetheless worrisome as it represents thousands of Canadians who can no longer afford what has become an essential tool in everyday life.
142. People may choose not to subscribe to cable television or to the Internet but it is most often not a matter of choice when it comes to the telephone, still the security and social lifeline of most Canadians.
143. This decline in penetration rate can be traced directly to increased subscriber rates (up from between 35% to 65% as previously pointed out) which, in turn, are a result of such regulatory policies as rate rebalancing, decreased contributions from more lucrative services to basic service, and the introduction of charges on services which were formerly free – installation and equipment repair being the most common.
144. And, as noted previously, the situation will likely get worse with the expansion of IP based services and ongoing lack of contributions to the basic phone network.
145. The regulatory treatment of Internet Protocol telephone services is far from complete. Support contributions towards basic phone service depend on whether the IP service is “phone to phone” and whether a call initiated in packet switched mode is terminated in circuit switched mode. If that is the case, the call is deemed to come under the contribution regime for universal service. Calls made entirely over packet switched mode would not come under this obligation, however.
146. The problem with the existing system is that carriers have a clear incentive to promote the migration of their voice services over the Internet in order to by-pass the legacy switched network and avoid making a contribution to the Central Fund Administrators – an

independently administered fund set up in 1999 to help subsidize local services in high cost areas.

147. As competition continues this erosion of contribution mechanisms by both incumbent telephone companies and competitors will also continue.

Recommendation No. 6

CEP considers that universal high quality affordable telephone service is now threatened and calls for a review of existing contribution mechanisms and regulations regarding VOIP.

148. Likewise, as market forces in high cost servicing areas will not ensure competitive pricing for broadband services, CEP insists that regulatory contribution mechanisms are required to promote universal broadband expansion. Only in this way can we be assured that the digital divide between information rich and information poor will be bridged.

Recommendation No. 7

CEP calls for revenue-based contributions to be levied on all major broadband service providers in order to promote access to broadband services in high cost areas

Quality of Service Issues

149. Deregulation and competition have not only led to higher telephone rates and decreased penetration; they have also directly caused a significant decline in the quality of service received by residential customers.
150. A December 2003 study by the Public Interest Advocacy Centre entitled "A Comparative Analysis of Residential Telephone Service: 1992 – 2002, showed that customer services of both ILECs and competitors were "unacceptably poor" in the summer of 2002, noting:

"...a clear deterioration in customer service over a 10-year period has telephone companies focused more on capturing customers than on servicing them once captured."
151. This study focused on specific quality of service issues and notes that residential customers now must wait longer for their telephone company "to answer a phone call, to provide a hook up or to repair a problem."
152. It points out that subscribers as often as not could not reach a customer service representative when dealing with the phone company and that, in the case of CLECs, customers " ...frequently encountered long waits and busy signals and in the case of some unregulated competitors, could not even find an option for a real person."
153. The PIAC study also laments what it calls the unacceptable levels of poor Directory Assistance service from an industry that used to pride itself on providing high quality across the board assistance.
154. In our view, there is no mystery underlying deterioration in service levels. Deregulation and competition have led to cost cutting and reductions in staff which make poorer service inevitable. Bell Canada went so far as to hive off its Operator Services into a company called NORDIA which, we contend, was done to avoid living up to its pay equity obligations.
155. One of the most glaring examples of the link between deregulation and competition and service levels comes from the West where Telus,

serving BC and Alberta, has cut its workforce by some 6,000 workers (33%) and where complaints from subscribers about poor service have become the norm rather than the exception.

156. The CRTC must take the brunt of blame for the situation as it ignored suggestions from CEP and others that it include a Quality of Service component in its price cap regulation formula. Our goal in making such a proposal was to maintain high quality service by keeping telephone workers at work maintaining and upgrading the existing network. The misguided CRTC view that existing regulations and competitive forces would ensure service quality has proven just that. Telephone companies continue to cut jobs and to shift their attention to the marketing, rather than servicing, segment of the business.
157. Equally, the new generation networks and specifically VOIP services, need to be very closely monitored on the quality issue. While the advance VOIP represents is impressive, it is far from perfect. There is nothing magic in the system. When a call is made using VOIP, it is still routed to another device whether a telephone, internet address or another numbering/address system. The call must still be transmitted through a switching system, over lines, microwave systems, satellites and fibre optic cables to its ultimate destination.
158. The basics are the same. It is the transmission capacity (integration of telephone, high speed data and video services) and speed which differ. But not everyone in Canada has equal access to this new world. Latest studies show, for instance, that while 80% of Canadian households have at least one personal computer, a far lower proportion of the country can connect their PCs to high speed service and both penetration levels pale in comparison to the 97% penetration of the telephone.
159. And while the CRTC has indicated it will regulate VOIP as a telephone service, CEP's position is that the regulator has been lagging in examining the total implications of its introduction and, especially, how it will enforce contributions from VOIP providers to the maintenance of the existing infrastructure of the system. Telephone companies are deliberately promoting the expanded use of unregulated portions of their service while using networks built with revenues generated by regulated services to deliver their new offerings without any further contributions.

160. An unregulated or badly regulated VOIP, in our view, will add a new incentive for the telephone companies to continue to steer subscribers away from the regulated land line service onto the new generation systems which, in turn, creates an ongoing and ever worsening quality of service issue as revenues from the traditional side decline (because of lack of cross subsidy contributions and declining market due to higher phone rates) and companies pour money into the unregulated side of their business.
161. That may make good business sense to a business person but it does nothing for millions of Canadians who either don't have access to the new generation services or who will no longer be able to afford even basic service.
162. Even more immediately, VOIP presents fundamental issues and problems which have not been addressed by any regulator in the world as yet. Union Network International (UNI), a global federation of unions to which CEP is an affiliate, has identified the following major problems with VOIP quality and service standards.
163. EMERGENCY CALLS – in Canada, most commonly referred to as 911 service which is currently provided by all public telecommunications operators that route such calls to the nearest emergency call centre. However, IP phones may not provide the reliability, identification and proper routing.
164. CALL INTERCEPTION – law enforcement agencies, for instance, will find it harder to intercept calls when they exist only as digital packages once they leave the caller's handset. In an age of global terrorism, this is a special concern.
165. CALLER LOCATION – IP addresses do not currently identify the user or location of the call. Again, this has become a basic protection in the case of emergencies and in the prevention of criminal or harassing behaviour.
166. NUMBERING – Without new standards, IP networks are not capable of providing the range of facilities such as number portability and caller line identification.
167. DIRECTORY ASSISTANCE AND PHONE BOOKS – Telephone customers are used to finding numbers by looking them up in a book or

telephoning an operator. However, such services do not exist and are unlikely to for some time in the IP environment.

168. UNIVERSAL SERVICE – VOIP operators to date do not have a universal service obligation and do not have to contribute to the funding of such obligations by other carriers.
169. PSTN AVAILABILITY -- PSTN (regular phone service) is already under threat in the United States where AT&T, for instance, has announced it will no longer offer basic service to new subscribers in seven states. At some point, this situation will become common practice but not all customers will be using or have access to IP phones and would therefore become disconnected from the public network.

Recommendation No 8:

CEP calls for the full and equal regulation of all service providers and further demands that the CRTC establish and maintain quality of service standards industry wide and apply these standards to all carriers of telecommunications services.

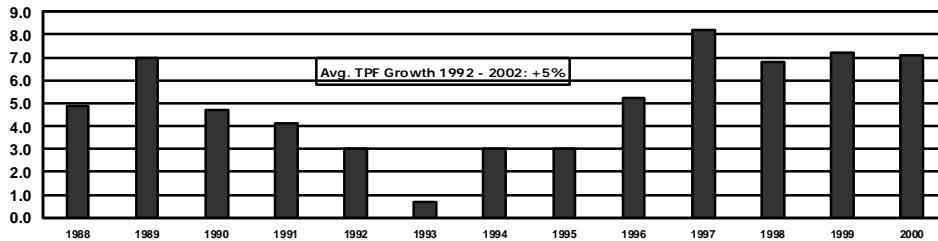
Employment Levels

170. In stark contrast to the explosive growth in revenues and investments, overall employment levels in Canadian telecommunications are substantially lower than they were in 1997. Just as with service quality and price increases, a direct link can be made to the decreased employment levels and changes allowing competition and deregulation.
171. Ongoing changes in transmission and switching facilities, as well, have led to reductions in maintenance and repair jobs while new technologies such as Automated Voice Response, Telephone Operating Position System and competitive operator services have also resulted in a worldwide reduction of telephone operator jobs.
172. In 2002, employment in the Canadian industry had dropped to 118,700. Just three years earlier, 133,000 Canadians were employed in telecommunications.
173. Industry Canada figures show that telephone companies shed more than 35,000 jobs in the six year period following the opening of the market to competition in the early 1990's and, further, that only a fraction of that number were created by new entrants into the business.
174. Competition and cost based pricing resulted in decreased consumer demand for residential installation and repair services as incumbent telephone companies abandoned the field by deliberately pricing themselves out of the market.
175. A rise in part time and temporary employment has occurred at the same time with an overall increase of 13% since 1997 coinciding with a 10% decrease in full time employment in the same period.
176. Mergers, consolidations and alliances have also led to an overall reduction in employment levels.
177. All the while, technological advances have produced productivity gains in telecommunications but the benefits have largely gone to improve

the corporate bottom line. Very little, if any, of the productivity gains have been shared with workers or customers.

178. The following chart shows the productivity growth at Bell Canada, for instance. It was five times the long run economy wide growth of the country during the period 1988 – 2002:

Bell Canada Total Productivity Factor Growth Total 1988 - 2000



Source: CRTC

179. Now the combination of globalization and Internet technology, along with a continuing industry trend towards consolidation, are sure to further jeopardize future employment levels in telecommunications.
180. Added to all of that is the issue of outsourcing, especially out of country, which particularly affects workers in software development and other IT related services. In a report by Gartner Inc. in mid-2003, it was speculated that at least one out of every ten technology based jobs in the United States would move overseas by the end of 2004. Forrester Research predicts at least 3.3 million white collar jobs will shift from the United States to low cost countries by 2015.
181. Just as globalization and free trade led to the devastation of our domestic manufacturing sector, workers in the ITC sectors are extremely vulnerable to job loss because of the ease of transfer of employment in call centres, payroll, billing and network monitoring.
182. Government policies have allowed the situation to develop and, we contend, it will take government decisions to undo the harm. CEP believes our federal government has a major role to play in protecting employment and supporting transition programs to help consumers and workers.

Recommendation No. 9:

CEP demands that the Federal government and employers recognize that telecommunications is an industry in transition and that workers must be provided with every opportunity to take full advantage of new employment or changing work environment openings. To that end, CEP recommends:

That a Transition Program for employment in telecommunications be negotiated with the industry to include joint union/management training and skills upgrading committees at the local level and that all current workers be given first opportunity at such training, and

That the Federal government provide initial funding for a job needs inventory as well as ongoing financial support for any training and skills upgrading programs deemed necessary.

Means of Revitalizing This Industry and Our Economy

"Broadband is essential for economic and social well being. It provides the cutting edge for a modernizing economy as well as the potential for social inclusion."

UNI World Telecom Press Conference, 9 October 2002.

183. This claim by the Union Network International (UNI), a federation representing 2 million telecom workers worldwide, is born out in a Communication Workers of America (CWA) sponsored report from the Economic Policy Institute of the USA entitled "Putting Broadband on high speed." According to this report as much as 1.2 million new jobs would be created by full deployment of broadband networks.
184. Similar studies, including one by the Communication Workers Union in the UK, also indicate that universal broadband deployment would generate social and economic benefits and recommends that governments:
- Build partnership projects to rollout broadband to rural and remote communities and targeted urban areas;
 - Ensure that the actions of regulators and government public policy initiatives ensure the widespread provision of affordable access to broadband services;
 - Ensure sufficient regulatory and commercial incentives are in place to speed up broadband provisions that would equally benefit companies providing these services;
 - Ensure that regulators provide a level playing field for all providers of broadband services;
 - Use the substantial purchasing power of central and local governments to promote and benefit from broadband deployment and services.
185. In Canada, a report commissioned by Industry Canada called "The New National Dream; Networking the Nation for Broadband Access", published in early 2001, recommends that the federal government support countrywide broadband access in rural and remote

communities in order to eliminate our growing “digital divide” by 2005. It also provides the Federal government with guiding principals, investment estimates and suggestions with regard to maximizing its implementation.

186. The National Working Group estimated that investments of \$1.3 to \$1.9 billion would be needed to “reach” every community with broadband networks by 2004; that \$500 to \$600 million would be needed to connect all public institutions; and, indicates that connecting all businesses and residences to high-speed broadband networks could require between \$900 million to \$2 billion based on the mix of technologies used such as satellite, wireless or DSL/Cable modem.
187. CEP has publicly supported the working group’s many guiding principals, including the following recommendations:
 - All Canadians should have access to broadband;
 - All Canadians should have access to the social, cultural and economic benefits delivered through broadband applications;
 - Communities should be engaged in planning broadband networks in light of local needs and in building local capacity to use broadband services and content;
 - All communities, institutions, businesses and individuals in Canada should have equitable and affordable access to broadband services;
 - Governments should facilitate the deployment of broadband networks, services and content through policies and regulations that favour private sector investment, competition and innovation as well as by supporting communities, the creation of Canadian content and the use of broadband to deliver public services; and
 - Publicly assisted programs should achieve sustainable broadband access to every public learning institution, public library, health care center and other designated public access point in the country.
 - In order to maximize such public investments the Working Group further recommended implementation measures and, again, CEP endorses some of these critical measures, including the following:
 - Ensure that all Canadians have affordable access to broadband services through public access sites and by providing support for

First Nation and Inuit communities, as well as for individuals with low incomes and disabilities;

- Work collaboratively to create the conditions necessary for the development, retention and attraction of a Canadian work force with the education and skills necessary to ensure Canada's competitiveness in the networked economy;
- Encourage the development of innovations content and services, particularly for applications in the areas of learning, health, government, culture, entertainment, community buildings and businesses;
- Ensure that framework policies aimed at safeguarding a fair and efficient marketplace for both producers and consumers adequately reflect changes in the economy and the broadband environment in such areas as privacy, security, consumer protection, protection against illegal and offensive content, copyright, the legal framework for electronic transactions, the ownership of telecommunication carriers, access to rights-of-way, and open access to content and service providers.

Recommendation No. 10

CEP calls upon the federal government to fully implement the National Working Group recommendations on Broadband services.

188. The strategic, cultural and economic importance of the telecommunications sector in Canada requires made in Canada policies and objectives , including direct governmental involvement in ensuring universally affordable access by Canadians to broadband services.

Recommendation No. 11

CEP also strongly recommends:

- **An increase in the present level of revenue-percentage contributions made by telecom providers toward subsidizing telephone services in high cost areas and expansion of the CRTC 2001 contribution mechanism to cover a larger number of providers such as Internet Service Providers and other enterprises entering the telecom sector.**

- **An increase in federal funding of broadband access through the existing \$2 billion Strategic Infrastructure Fund.**
 - **An increase in federal funding of provincially led projects in New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland as well as in programs such as the Alberta SuperNet, The Saskatchewan Community Net, the Quebec Villages Branches, the Ontario Connect Ontario: Broadband Regional Access (COBRA) and the British Columbia Shared Provincial Access Network (SPAN) program.**
189. The measures and guiding principles proposed by the Working Group were virtually overlooked in the 2001 federal budget.
190. The government has committed only \$105 million through its Broadband for Rural and Northern Development (BRAND). The Working Group's stated objective of universal broadband access by 2005 clearly did not receive sufficient support by the Federal government.
191. Industry Canada has, however, latched on to a suggestion of the Working Group that it may want to review "existing ownership restrictions on phone companies, satellite-television distributors and cable companies".

Lifting Foreign Ownership Restrictions

192. Setting aside many of the other social policy objectives and measures put forward by the Working Group, Industry Canada hastily set up a review in 2003 of a suggestion contained in the working group's report that the ministry might also want to review foreign ownership restrictions in the broadcasting and telecommunications sectors. The Parliamentary standing committee on Industry, Science and Technology came out a few months later endorsing the removal of all foreign ownership restrictions on our telecom, cable and satellite television providers.
193. Subsequently, the Cabinet of former Prime Minister Jean Chretien formally endorsed the idea, leading us dangerously close to the last irreversible step toward the total deregulation of the telecommunications industry.
194. On September 25 of 2003, then Industry Minister Alan Rock, in response to the standing committee's recommendation, stated the following in the House of Commons:

" The government acknowledges the relevance of the conclusion you have come to, according to which the elimination of foreign investment restrictions would be useful to the telecommunications industry as well as to the users of its services."

"In so saying, the Minister and his Department brushed aside the findings of a second committee, the Standing Committee on Canadian Heritage, which concluded that:

"Changes brought to foreign investment restrictions, as regards both telecommunications carriers and broadcasting distribution undertakings, could have adverse effects on our broadcasting system."
195. The Standing Committee on Heritage, in supporting the maintenance of foreign ownership restrictions, identified several major concerns underlying its decision: concentration of media ownership; access to media by Canadian creative artists; diversity of voice; and, the requirement for radical regulatory changes if foreign ownership restrictions are lifted.

196. Despite that, Industry Canada endorsed the lifting of existing restrictions on foreign ownership on strictly economic grounds. It accepted corporate arguments that opening Canadian markets would bring inflows of investments by foreign corporations which would help in the deployment of broadband networks into our rural and remote areas.
197. In CEP's view, acceptance of this logic is ludicrous.
198. There is, in fact, a connection between the elimination of existing foreign ownership restrictions and the development of broadband infrastructures in our rural and remote communities.
199. Lifting these restrictions would be the next logical step, as harmful as any previous measures, in the federal government's acceptance of the corporate agenda which has brought us privatization, harmful competition and deregulation all of which, as has been pointed out, have led to job losses, decreased quality of service, increases in basic phone rates and loss of market penetration.
200. If our national goal is to truly serve all parts of the country with broadband, government and regulatory incentives are what is needed to encourage or compel the country's existing ILECs and CLECs to service those areas.
201. SaskTel, the provincially owned provider on the Prairies, can serve as a model of how the system should develop. SaskTel now provides high speed Internet services to all communities of 100 people or more, leading the way — not for the first time — in providing the best quality service to the citizens of Saskatchewan.
202. But the continued existence of SaskTel as a Crown Corporation would be jeopardized by any move on the part of the Federal government to lift foreign ownership restrictions.
203. Already existing faults in the system — cream skimming of our more lucrative markets by foreigners and network over capacity in urban areas — would be compounded should foreign ownership restrictions be lifted.
204. Takeover of our domestic industry, most likely by U.S. multi-nationals, would seriously and negatively impact the whole country's ability to

use our telecommunications capacity to meet made in Canada social, economic and cultural priorities.

205. If foreign investment restrictions were to be lifted, the most plausible scenario which would result would see large foreign corporations taking control of our existing telephone and cable companies with a very limited likelihood of expansion or enhancement of existing services.
206. Direct foreign participation in the telecommunications, cable television and satellite television industries now stands at 20% while existing rules allow up to 46.7% indirect participation.
207. Already, an important segment of the industry – resellers -- is not even subject to these limitations which apply only to those companies which own their own networks.
208. At risk by any foreign takeover of domestically controlled telephone and broadcast companies are literally thousands of jobs as corporations based off shore will either pursue massive mergers or simply shift much of the existing work electronically out of the country.
209. It takes but a flip of a switch to transfer the East-West flow of long distance traffic across Canada to networks south of the border – a highly likely eventuality given the huge over capacity of transmission facilities in the United States and especially predictable with increased use of IP networks.
210. In short, foreign ownership by U.S. giant corporations is nothing less than a direct threat to potential growth in infrastructure and employment in the Canadian industry. Just as fundamentally, key decisions concerning Canadian information and entertainment needs and services would be dictated from abroad.
211. Based on what we already see happening because of technological change and economies of scale, we also know that allowing increased foreign ownership would likely trigger corporate consolidation and centralization of critical services and network operations south of the border.
212. Anyone familiar with the impact of deregulation and competition in the industry is aware that telephone companies have increasingly become focussed more on “synergies” rather than on providing services.

213. We need look no further for evidence than the centralization plans of Telus or Bell's use of its majority ownership to merge the operations of New Brunswick Telephones, Maritime Telephone and Telegraph, Newfoundland Telephones, and Island Telephone into the Aliant company.
214. Senior officers of Aliant are now publicly promoting the idea that there are significant "synergies" to be gained by merging parts of its operation with Bell. Since the merger of the four Atlantic telcos, Aliant has closed Operator Services in Nova Scotia, Newfoundland and PEI, centralized parts of its other operations, and downsized its workforce by several hundred employees. In the past year alone, Aliant has transferred significant parts of its Network Surveillance operations and Building Real Estate management to Bell.
215. In December 2002, Aliant announced a "strategic network alliance" with Bell Canada, and, as a result, 130 former Aliant managers are now employees of Bell but CEP members working at Aliant still report to them. In short, jobs and services at Aliant are being transferred to Bell Canada as quickly as senior managers can make it happen.
216. All the while, hundreds of well paid, formerly secure jobs have disappeared from Atlantic Canada. People in the region have effectively lost control of their telephone company and are being forced to accept the idea that their telecommunications services will be provided by a company that is based outside of the region.
217. Thus, we have evidence that loss of economic activity, destruction of jobs and degradation of service are inevitable results of consolidations except, if foreign ownership restrictions are lifted, those losses will be to the nation as a whole and not to just one region of the country.
218. In addition, lifting foreign ownership restrictions, we submit, will foreshadow even bigger mergers, greater centralization and consolidation, and faster deterioration of customer services as well as relinquishing overall control of key policy decisions to business interests headquartered in the U.S. or elsewhere.
219. Under a rate of return regulatory regime, telephone companies had a clear incentive to maintain state of the art, high quality services and networks throughout their territories. Under the present price cap regime, the emphasis has shifted toward generating higher earnings through cost cutting measures and higher productivity levels.

220. An example of how this, combined with lifting foreign ownership restrictions, can impact a nation is provided by the New Zealand experience.
221. In September of 1990, the New Zealand government sold its majority ownership of Telecom NZ to Ameritech (now part of SBC) and Bell Atlantic (now Verizon) from the U.S. At that time, there were 15,000 employees covered by a single collective agreement. As of March 31, 2002, Telecom NZ employed just over 4,000 staff in both its fixed line and wireless business.
222. How did this happen? SBC and Verizon, through the proceeds generated by the asset stripping of NZ Telecom, simply pocketed outrageously high dividends. For nine straight years, the lowest dividend paid was 89% of earnings.
223. What happened in New Zealand can easily happen elsewhere with thousands of jobs at stake in the telephone companies as well as related sectors such as computer science, communication equipment manufacturing and media jobs linked to the development of Canadian content.
224. Instead of a visionary development of broadband services, then, we see our government blindly preparing the country for a turn over of the telecommunications and broadcasting industries.
225. Our Federal governments have a history of unilaterally making harmful concessions in negotiations at the General Agreement on Trade in Services (GATS) and the FTA basic telecommunications agreement. Canada has agreed to:
- o End Teleglobe Canada's monopoly on transcontinental (overseas) traffic on Oct. 1, 1998;
 - o End Teleglobe's special ownership restrictions which prohibited investment by foreign telecommunication carriers and limited the investment by incumbent carriers;
 - o Allow a level of 100% foreign ownership and control of international submarine cable landings in Canada as of Oct. 1, 1998;

- Allow 100% foreign ownership and control of mobile satellite systems used by a Canadian service provider to provide services in Canada;
 - End Telesat's monopoly on the fixed satellite system on March 1, 2000;
 - Allow the use of any foreign satellite to provide services to Canadians as of March 1, 2000 (broadcasting services were excluded).
226. This lack of vision is already creating considerable public concern as evidenced by the results of a CEP commissioned poll in early 2004 which showed that fully 2/3 of Canadians oppose foreign control of domestic telecommunications and broadcasting.
227. Canadians are very firm in their opinions on the matter, citing a possible loss of sovereignty and national identity as one of the key reasons for opposing foreign ownership along with a lessening of Canadian content and possible decrease in service as others.
228. Foreign control of basic industries such as telecommunications and broadcasting, Canadians know, raise fundamental ramifications on the economic, social and cultural fronts.
229. Andre Bureau, a former head of the CRTC and now CEO of Astral Media made the point succinctly in December of 2002 at a shareholders meeting:
- "Were not foreign investment at a standstill, the Canadian point of view would be completely diluted and eventually buried by the continental perspective of huge foreign media conglomerates."
230. Hegemony is not too strong a word to describe what Mr. Bureau warned against as any foreign takeover would seriously threaten the future production and distribution of Canadian content.
231. The American experience with convergence and vertical integration of the telecommunications and broadcasting sectors should serve as a red flag to the potential impact on the more fragile Canadian economy and culture.

232. Literally thousands of jobs in broadcasting and telecommunications are also at stake. CEP adamantly opposes any lifting of foreign ownership restrictions in these sectors and will continue to lead the battle to protect our domestic industry.

Recommendation No. 12

CEP demands the maintenance of restrictions on the foreign control and ownership of carriers in the telecommunications and broadcasting industries.

Labour Issues in the Telecom sector

233. As noted throughout this document, the telecommunications industry is rapidly changing due to ongoing, disruptive technological advancements as well as the ill conceived regulatory and legislative regimes that govern it.
234. Existing jobs and job content are under threat as technology leads to the migration of operations onto IP based networks. Ensuring access to new opportunities that arise because of technology and the needed skills upgrading and training is a priority of CEP.
235. As well as protecting existing members from the ravages of employment transfers and de-skilling, CEP intends to aggressively help unorganized workers in telecommunications by searching out organizing opportunities in fields such as the Internet, wireless, cable and satellite distribution sectors.
236. While working co-operatively with other unions in traditional wireline services, CEP firmly believes that all of our interests would best be served if all communications workers in Canada stood together across the spectrum of union activity within one organization.

Required legislative changes and improvements to CIRB decision making process

237. CEP members and telephone workers in general are suffering the consequences of inconsistent rulings and delayed hearings and decisions by the Canada Industrial Relations Board (CIRB).
238. Effective bargaining in the future by CEP and other organizations will require a new look at procedures and principles by the CIRB especially relating to work definitions and how they fit into more traditional scope and/or jurisdiction clauses.
239. On the legislative front, we need protection of those workers who refuse to cross legal picket lines and an abolition of the so-called essential service provisions in existing legislation which serve little purpose but to weaken bargaining unit strength and disrupt the bargaining balance between workers and their employers.
240. Injecting balance into the bargaining relationship is also why CEP again calls for enactment of anti-scab legislation in the federal jurisdiction.
241. Similarly, restrictions limiting the validity of a strike vote to 60 days have done nothing to improve the negotiation process in the federal jurisdiction and hamper workers rights to achieve fair settlements.
242. The time has also come for the federal government to remove the \$5 initiation fee which must be collected when organizing new members — it serves only to impede the democratic choice of workers to belong to a union.

Organization and Bargaining

243. CEP is uniquely placed to build a comprehensive response to the challenges thrown at telecommunications workers by the government and employers. Our collective strength of 150,000 gives us the clout and the voice to make progress on behalf of industry workers.
244. CEP will continue to lead in the research necessary to keep the union ahead of government and industry roadblocks.
245. And only CEP can lead in building the solidarity required from coast to coast to coast to mount effective, progressive campaigns to best protect the future of workers in the industry.
246. Communication workers in Canada are at a crossroads. Major companies now dominate the industry from one end of the country to the other and CEP fully intends to act as the national buttress against the corporate steamroller by building an East-West response.

Our Vision

247. Canadians are amongst the most innovative and daring in the world in the telecommunications industry. The telephone was invented here. Coast to coast to coast satellite distribution was innovated here. Trans-continental links via under sea cable became a reality because of Canadian initiative. We reached almost 100% penetration into Canadian households because, simply, we put our minds and our social and political will to it. And today, we continue to lead the world in research and development of new hardware and services.
248. And none of that would have happened without the imagination, enthusiasm, and toil of CEP members and other workers in the industry. We built and maintain the original networks and we continue to be the face of the industry to the millions of subscribers across the country. The industry, in other words, belongs just as much to us as it does to shareholders, customers and society as a whole.
249. As front line stakeholders, we assert our right to shape the path for future development of the industry and especially to foster those interests and plans which best reflect the needs of our own families as well as those of the consumer at large. This policy is a mirror of our past, present and future.
250. Just as our determination and skills brought us to where we are today in telecommunications, so too will our will and imagination build an equally solid place for us and for our children in the decades to come.
251. Fundamentally, we declare our dedication to the following basic principles reflected in this policy document:
1. Canadians deserve and need high quality, accessible and affordable telecommunications services;
 2. Our industry was established, grew and thrived through a system of public interest guided regulatory controls and we demand that the broader public good continue to be the guidepost for setting new rules for the new generation telecommunications;

- 3 Public interest includes the rights and interests of those who work in the industry.

**In Solidarity.
Members of the Telecommunications
policy:**

**Michel Ouimet
Ervan Cronk
Ron Carlson
Joel Carr
Donna Lazure
Pierre Dumont
Sue Pearce
Greg Derouin
Cecil Makowski
James Kinkaid**