

*Bell Canada Act*

Bell Canada's response asks us to accept two assumptions—that Bell Canada will always continue to represent the large majority of the assets of Bell Canada Enterprises and that it will never be in the interest of Bell Canada Enterprises to allow Bell Canada to deteriorate. I wonder how valid are those assumptions. I think we must be rather sceptical.

Let us look at the Northern Telecom example. It was created by a pool of capital which came from the earnings of Bell Canada and was allowed to survive by the forbearance of subscribers. Subscribers might have had reduced prices to pay but instead of the money going into the reduction of rates, it went into providing capital for Northern Telecom. Bell Canada is now saying that all the capital gain and goodwill of Northern Telecom belongs to Bell's shareholders. However, it was the subscribers who indirectly paid for that. They paid Bell Canada and the money was shifted away. If subscribers had the choice of lower Bell telephone rates, they might have chosen that rather than having the money go to the subsidiaries which then depart and take it with them.

All subsidiaries of Bell Canada have their roots in the telephone service. That is from where the money came. They were created in large measure by money which came from payments by subscribers which were greater than needed to provide the service. It seems to me very reasonable that some of that money ought to go back to them. That the company should be allowed to take it and run when it earned these returns in a monopoly situation is quite unwarranted.

For years Bell argued that it should not be regulated on a consolidated basis and that a subsidiary should be allowed to develop freely into competitive areas. In the old days Bell said that that was in the best interest of subscribers, in that the profits ultimately earned through the new subsidiaries would be used to reduce subscriber rates. It argued that the subscriber would ultimately benefit from the development of subsidiaries. Now we see subsidiaries becoming profitable and Bell Canada no longer wants to use them to benefit subscribers; it wants to grab the profits for itself. It has changed its tune very considerably from its early argument that it was in the interest of subscribers to have their money go into subsidiaries. Bell said that the subscribers would eventually get their money back, but now we see they will not get it back.

I should also like to refer to so-called intangible assets—the assets of goodwill, the Bell name and reputation, and corporate associations within the Bell group. If Bell wishes to divorce a subscriber at this point, it should make a fair division of the family asset and its future value. The amount to be paid to Bell Canada for the use of such assets should be equal to the amount which would be charged to any third party for them, either as a lump sum equal to the capital gain or as an equivalent royalty.

A company which has developed a business and has a good name does not give away its name or its associations. One has to pay for them. However, in this case Bell Canada Enterprises will obtain the good name gained through the telephone

business and not have to pay for it. This is entirely unreasonable. Certainly we know that Bell Canada management wants to use that name. Bell Canada management thinks it is important, counts on it, and uses it internationally in sales and in the search for contracts in other parts of the world. However, when it comes to putting a price on it, Bell management says that it is not important and that it does not need the name.

If these same Bell managers resigned their jobs and set out to create a new company, there is no way the new company could obtain these intangible assets—its name and associations—without enormous expense, yet they propose to do it for the price of incorporation of Bell Canada Enterprises.

The Chairman, Mr. de Grandpre, attempted to make the case that the Bell Canada name was not much of an asset. At one point he even described it in large measure as a liability. However, its own advertising quite belies this notion. Bell Canada advertising emphasizes that foreign customers are attracted to and sold on the Bell Canada name, that it is an asset, and that it is important. They cannot have it both ways. They cannot use it in one fashion and then like to claim that it does not count for anything at all.

Management spends its time trying to make Bell Canada a household name not only in Canada but around the globe, yet it proposes to appropriate this value for the subsidiaries and Bell Canada Enterprises and to pay nothing to Bell Canada and its original subscribers for it.

I will not go into a detailed study of the different clauses of the Bill. Obviously we will have an opportunity to consider it clause by clause, but I should like to refer to one glaring clause immediately although we are addressing the general principle of the Bill at this time. I am referring to subclause 6.(2) which would give the company the right to demand a six-month prepayment of subscribers unless the CRTC ruled otherwise. It is a rather excessive provision. I think it shows a certain contempt for consumers or telephone subscribers. It epitomizes what is wrong in this piece of legislation. Obviously we will have an opportunity to look at it in more detail later, but I simply wanted to note it as a particularly offensive part of the Bill.

● (1730)

I want to note also that the Bill raises a lot of concerns for people who work in the telephone industry. The Canadian Federation of Communications Workers opposed the Bill when it last appeared before the House and went to committee. These are people who work in the industry and who know it. They have very serious concerns. Let me quote briefly, "We are very much opposed to any form of splitting off unregulated subsidiaries of the telephone carriers to carry on competitive activity. We oppose that because it lets the 'shark out of the cage' as has been said and is therefore bad for consumers. We also have a direct interest in preventing fragmentation of existing union bargaining units". I think that is an important consideration. People who have been working together to look