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The wholesale right to hike rates:

Doesn't that ring a Bell somewhere?

Photo by Steve Patriquen   Barrel courtesy Dominion Stores Ltd.

Telephone rates have you over a barrel? One customer THE BRUNSWICKAN interviewed said he didn't mind publicly stating he didn't mind the increases, in fact he rather liked the exposure.

By Canadian University Press

OTTAWA – The federal cabinet's decision consumers should pay more for Bell telephone service has met protest from some groups.

Communications Minister Gerard Pelletier announced September 6 that price increases granted to Bell Canada by the Canadian Transport Commission (CTC) would be allowed by the government. The increased rates on a wide range of services will supply the company with approximately $50 million in additional revenue in 1974.

Bell Canada applied to the CTC for rate increases in Aug. 1973, but it was not until Aug. 16, 1974 that the commission granted most of Bell's requests. Simultaneously, the commission granted the firm the right to raise its rates in the future without going through public hearings or any regulatory agency. These rate increases were to be responses to "inflationary cost increases."

Pelletier said the cabinet had "noted with interest" the proposal that Bell should be able to raise their prices based on cost increases, but they would not allow the implementation of a rate adjustment formula at this time.

Under the new rates the cost of basic residential service will be increased 10 cents a month, while the use of directory assistance will now cost 25 cents for numbers listed in the phone book. The cost of pay phones will also be increased to 20 cents effective September 15.

Bell asked for the increases because they said the money was needed to make their stock more attractive to investors. This, they said, would give them the new investment capital needed for expansion.

The CTC said in their annual report, "We believe it is in the interests of Bell's subscribers and the public, that every effort should be made to make the common stock more attractive."

The federal government agreed more money was needed for this purpose. Pelletier said "during periods of rapid inflation in which costs, including costs of capital are rising, the possibility of the need for periodic rate adjustments in understandable" because of the need for new construction.

Bell Canada president Jean de Grandpre called the government's stand on the increases "an enlightened view of the total situation."

Quebec communications minister Jean-Paul L'Allier said the federal government's decision to uphold the rate increases was "just as deceiving, unjustified and contradictory as the Canadian Transport Commission's own decision was."

In a statement L'Allier said the federal government should have taken into consideration the real earnings of the telephone company, which he said did not correspond to the rate increase granted.

He said Bell had underestimated its earnings by $12 million in the first five months of 1974 and if the trend continued the company would have earned $28.8 million more than forecast by the end of the year.

Defending the rate increase, Pelletier said Bell's rate of return on invested capital was acceptable despite extraordinary profit increases over the last year. He also described the increases granted as being "rather modest."

Several presentations opposing the increases were made to the CTC. While the province of Quebec called no expert witnesses before the Commission, the province of Ontario and the Association of Municipalities of Ontario each called one. The Consumers Association of Canada called four expert witnesses including economists and an expert in the field of capital cost.

Bell's request for rate increases was justified as necessary for expansion of capital through the sale of shares. Certain groups challenged this. Consolidated profit of Bell Canada increased 72 per cent in the second quarter of 1974 to $63.4 million, up from $36.9 million for the same period in 1973.

Bell's figures for second quarter profits were a week late, but a company spokesman denied the delay was related to the announcement a week before the CTC had agreed to hike rates.

The Consumers Association questioned whether individual telephone users were subsidizing business communication. While Bell has a monopoly with such companies as CN-CP Telex, etc., and as such might try to use profits from its telephone monopoly to keep its business rates down.

While granting rate increases immediately, the CTC deferred this question until a cost study the commission is working on is completed.

Within hours of the announcement of the increases, many Canadian groups were protesting the move. The Canadian Labour Congress, representing 1.9 million organized workers in Canada, issued a statement calling for the immediate nationalization of Bell Canada. The CLC called for a boycott of 20 cent pay phones which it called the most expensive in North America.

Julien Major, CLC executive vice-president, said, "the latest increase only confirms our previous contention that there is no place in the Canadian economy for a private telephone company, for it leads to the accumulation of economic power in private hands which in the end is only responsible to itself."

Roy Atkinson, National Farmers Union president, termed the rate increases "irresponsible" and called for the nationalization of Bell Canada.

Atkinson expressed concern the CTC, which he said is charged with protecting the public interest, had capitulated to Bell's massive propaganda campaign.

Bell, he said, in 1974 ranked fifth in revenue among Canada's top 100 corporations, third in net income and first in total assets which are now over $5.1 billion.

Andrew Roman, counsel for the Consumers Association of Canada, said the decision amounts to a "guaranteed annual income" for Bell Canada while it is denied to "most Canadians in these inflationary times."

Most groups, including the federal New Democratic Party, called the increases inflationary and urged the federal government to disallow them. This was done in 1973 because of a loud and sustained outcry over proposed increases. The minority Liberal government at the time felt compelled to review the decision to prevent a parliamentary upset.

Bell Canada services Ontario, Quebec and part of Newfoundland – half the population of Canada. The policies set now will affect future applications by Maritime and British Columbia telephone companies.