

*Bell Canada Act*

and the concept of "first come, first served", in other words, a service offered without discrimination.

The same regulatory structure and perspective has remained practically unchanged during the last 80 years. How should they continue to direct Canadian telecommunications, in the context of Bell's corporate reorganization?

What was the Government's response? First, the report by the CRTC. After the company made known its intent to reorganize and considering the company's importance both economically and socially, the Governor in Council ordered the CRTC on October 22, 1982, pursuant to Section 50 of the National Transportation Act, to conduct a public inquiry into the planned reorganization with particular emphasis on the following points:

Rate increases for Bell Canada customers that might result from the proposed reorganization.

The possibility that the reorganization would compromise the CRTC's ability to exercise the mandate it has pursuant to the Railway Act, the National Transportation Act and the Act respecting Bell Canada.

The amendments that will be necessary to remove or attenuate any obstacle to the exercise of that mandate.

In the case of reorganization, the limitations, if any, that would have to be imposed on the activities of the Bell group.

In February 1983, the CRTC held public hearings in the course of which many interested parties testified and made submissions on the proposed reorganization and its repercussions.

On April 18 that year, the CRTC submitted its report to the Governor in Council. It was in favour of the reorganization, subject to certain legislative amendments that would reinforce and clarify its authority with respect to Bell and its subsidiaries. According to the CRTC, these legal safeguards were necessary to prevent the reorganization from undermining the Commission's power to regulate the company and to avoid any prejudice to the interest of customers.

The CRTC summarized its position as follows, and I quote:

According to the Commission, it is very important at this stage for Bell and its subsidiaries that its management be allowed this kind of flexibility. As Canada progresses in the information era, its future as an industrialized country will depend more and more on high quality skills in the management, technical and research sectors, the kind of skills we find, for instance, among the companies of the Bell group . . . However, the desire to achieve certain goals in the field of industrial development should not lead us to ignore the necessary aspects of regulating public utility services.

A regulated enterprise should have the flexibility it needs to innovate and improve its business prospects. However, this flexibility should not extend to subsidizing activities of a competitive nature from income drawn from the enterprise's monopolistic services.

The CRTC therefore recommended changing the legislation to provide that the Commission was authorized to obtain from Bell and its subsidiaries any documents and information deemed necessary; to empower the Commission to order that certain telecommunications activities had to be carried out within or outside Bell Canada; and finally, to maintain a

certain number of constraints limiting the type of activity the companies could engage in.

On April 23, 1983, the Government announced its intention to examine the Commission's recommendations without delay and to propose as soon as possible any amendments that might be necessary to prevent the reorganization from undermining the CRTC's mandate. A few days later, the Department of Consumer and Corporate Affairs gave Bell its authorization to implement the proposed reorganization.

● (1530)

Last December 20, shortly after my appointment as Minister of Communications, I introduced Bill C-19 in the House, an Act respecting the reorganization of Bell Canada. The purpose of Bill C-19 is to change the legislative structure governing Bell Canada so as to give the Government more regulatory powers over the public obligations of the company, while at the same time freeing the company from constraints which make it harder to compete on the international market. The Act confirms the basic obligations of Bell Canada, which are to serve the public, refrain from regulating the contents of messages, and continue to be subject to regulations derived from the Railway Act. The Bill is also intended to consolidate the CRTC's regulatory powers over the monopolistic telephone service offered by Bell Canada as a result of its 1983 reorganization, thus making it one element of Bell Canada undertakings. Bill C-19 guarantees that the reorganization will not prejudice company customers.

Pursuant to Clause 11 of the Bill, Bell Canada may not sell or dispose of its shares, nor of such facilities as are essential to its telephone operations without prior CRTC approval. As requested by the CRTC, it is authorized under Clause 12 to obtain from Bell Canada any information required to discharge its regulatory responsibilities with respect to the company.

In keeping with our objective to deregulate competitive telecommunications services, the two provisions in Clause 13 are aimed, first, at making a clear distinction between competitive and monopolistic, regulated and non-regulated Bell company operations and, second, at enabling the CRTC to decide whether certain operations ought to be regulated or not. Under the first provision, the CRTC may require Bell Canada to perform directly the operations of one of its affiliates should be CRTC rule that there is not enough competition to guarantee fair and reasonable rates.

The second provision means that, conversely, the CRTC may require the company to dispose of any operation which is deemed competitive enough not to be regulated. This will prevent Bell Canada from using income from monopolistic services to finance its operations in competitive fields.

In conclusion, two years after the adoption of the Act to incorporate The Bell Telephone Company of Canada in 1880, the Canadian Parliament declared that the works of the company would be "for the general advantage of Canada".