TELECOMMUNICATION POLICY FOR WHOM? AN ANALYSIS OF RECENT CRTC DECISIONS

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Structural Theoretical Considerations

This paper critically examines political and sociological relations in public telecommunication policy by arguing that the Canadian state has and continues to play an important role in forging and shaping a competitive telecommunication environment. Federal telecommunication decisions approved by the state regulator, the Canadian Radio-television and Telecommunications Commission (CRTC), are examined from the years 1977 to 1990. The pro-competitive policies approved by the CRTC reflect the state's shift from regulating rates and capital expansion programs by monopoly telecommunication providers (Bell Canada and BC Tel), toward permitting competition for an array of business services supplied by monopoly, as well as new, telecommunication providers. Competition in telecommunication business services has, paradoxically, resulted in a more regulated telecommunication environment; one in which there is less regulation in the public interest but more regulation to manage market forces.

Structural theory (Poulantzas, 1973, 1978; Offe, 1984; Mahon 1980, 1984; Jessop, 1991) best allows us to analyze the role that the CRTC takes in formulating pro-competitive telecommunication policy. To get a more complete picture of this it is necessary to interpret and analyze the state's responses to changes in the nature of capitalism.

Structural state theory reveals that the primary function of the state in a capitalist society is to serve the interests of the ruling class by creating and maintaining conditions favourable for capital accumulation. The state must also reduce the inherent conflicts between fractions of capital, the working class, and forces within civil society. Furthermore, the state has to create and maintain conditions of social harmony by producing policies which legitimize capitalist social relations. Structural theory, therefore, explains how the relationship between the ruling class and the state is a complex one in which the state serves the capitalist class without appearing to do so.

As part of its ideological function, the state re-defines workers,
civil society groups, and capitalists politically as individual subjects, a process that Carnoy (1984:99) calls 'individualization'. This process of individualization, realized through legal and political ideology, isolates workers and capitalists from their respective class positions. This is why, in Poulantzas' view, the capitalist class chooses a 'democratic state' as an expression of class power. The process of capitalist production defines the formation of classes, but the state reconstitutes buyers and sellers of labour politically as individual subjects, subjects free of any 'class-belongingness'. The state reinforces this belief by presenting itself "as representing the general interest of the competing groups" (Carnoy, 1984:100).

The Dominant Power Bloc, Capitalist Fractions and Relative Autonomy: Poulantzas' (1973, 1978) work shows how the state provides the framework for struggles between dominant and subordinate classes, both reintegrated as 'individuals' detached from any class position. At the same time, the state provides the political arena for and is itself shaped by the class struggle. The state unifies the reintegrated dominant class and subordinate class so that capitalist society is reproduced in a class structure. Nonetheless, contradictions arise through the relationship between the state and the dominant class, and through the state's relationship to the working class and civil society groups.

Poulantzas (1973:43-4) explains that the state plays a principle role in organizing and unifying the dominant class. He argues that the capitalist class is itself internally divided into a number of competing elements, substructures, or fractions. Members of the dominant class compete among themselves, forging alliances in the process. Frequently, alliances function under leadership of one of the fractions. The power alliance that these capital fractions make is called the power bloc. The leadership which unites the power bloc under its stewardship is the hegemonic fraction which guarantees that the general interest of the ruling class is realized through the state.

Structural theory moves beyond the notion that the state is the captive agent of the capitalist class, arguing instead that the state is relatively autonomous. As Poulantzas (1978: 313) notes, this implies that there is a relative separation of economic power from political power. Hence, political struggles tend to conceal their economic and class basis. The state thus tends to constitute class unity for the capitalist class in isolation from the economic struggle. Moreover, the relative autonomy
of the state sanctions the unity of individual capitalists, reconstituted into fractions and a dominant bloc, to further their political ideological operation and to constitute their political interests.

Poulantzas's concept of the relative autonomy of the capitalist state is used to underline how the operations of the state correspond to the political interest of the dominant class. This means that the degree, extent, and form of the state's relative autonomy can only be examined with reference to the class struggle.

Both Poulantzas (1973) and Mahon (1984) argue that the concept of relative autonomy also means that other forces can advance and realize their interests. For example, as will be shown below, the CRTC encourages a compromise of competing interests, but this does not mean that Bell Canada and BC Tel are forced to make unlimited concessions to other dominant class fractions or to the subordinate class in order to maintain their privileged hegemonic position.

According to Jessop (1991:92), it is also important to examine the infra-structural power of the state in this context --- the manner in which the state shapes the spatial, temporal, corporeal and social order of capitalist society. Using the telecommunication regulatory process as an example, one can see that those 'closest' to state power benefit the most (i.e. Bell Canada, BC Tel, Unitel, BC Rail/Lightel, and the large telecommunication users), while those furthest away benefit the least. This process helps to further fragment the subordinate class's resistance.

State Regulation and Unequal Representation: Mahon's (1980:160) contribution to structuralist theory is her explanation of how the state politically organizes the strategies and compromises necessary to maintain the capitalist system, while at the same time develops policies that benefit the leading fraction. She maintains that a regulatory agency's role is a dual one. First, it represents the interests of the regulated and it subordinates their interests to the long term interests of the hegemonic fraction. Second, the regulatory agency is a special case because it is independent of regular state departments and the political apparatus. Hearings are adversarial and are open to competing private inputs. Furthermore, the agency's authority is linked to its capacity to make politically neutral technical judgements. A regulatory agency is an "unequal structure of representation" (1980:159), a structure of bias that organizes the interests of various social forces around the core interests of the hegemonic fraction, thus creating an "equilibrium of compromises"
Similarly, the state arranges and reorganizes the political relations of class domination through its policy agenda. In this way, the state supports and maintains political struggle through its function as a political organizer of various dominant fractions, non-dominant capitalists and subordinate classes. Resulting compromises may give access to, and representation for, the subordinate class. All members of the subordinate class have been and continue to be, active participants in the regulatory process. While the conditions won by the subordinate class must be more than symbolic if their consent is to be secured, the regulatory process and policy compromises, on the whole, help to disorganize and fragment this class.

The state also provides suitable conditions for the organization of capitalist fractions into a power bloc, while aiding in the reproduction of capitalist hegemonic domination. For example, compromises reached between Bell/BC Tel and the new telecommunication providers were created by the CRTC in order to neutralize the threat to hegemony that could not be contained by normal functioning of the political apparatus of the state. The CRTC is an instrument of hegemony because it arranges compromises that reflect a combination of the demands of the regulated (Bell and BC Tel), other capitalist fractions (the larger user groups and the new telecommunication providers), and subordinate classes.

By applying structural analyses to CRTC decisions, I will argue below that the settlement of these disputes and demands entails more than regulating telecommunication monopoly pricing and limiting competition. The CRTC's decision to permit telecommunication competition in key areas furthers the interest of the whole capitalist class, not just a dominant fraction. Pro-competition telecommunication decisions also serve dominant economic interests by facilitating the international integration of economies, a process reflected most notably by the Canada-U.S. Free Trade Agreement.

The State as Crisis Manager: When problems arise in the accumulation process the state responds with specific policies in order to maintain this process. Responding to economic crisis through policy intervention, the state acts as a crisis manager (Offe and Range, 1982:253). State policy is an attempt to neutralize economic contradictions. Such policies are designed to enhance stability of the
whole capital accumulation process, rather than advance the interests of one dominant fraction. Some policies are geared towards continental or global accumulation, such as the telecommunication enhanced service decisions. Other policies reorganize the importance of exchange relationships among capital fractions. As Offe (1982:254-6) argues, policy shifts subject the dominant bloc to new rules in order to provide for economic growth and the survival of the larger capitalist class. With its renewed role as crisis manager, the state shifts the focus of public policy to meet the competitive demands of private sector market criteria. At the same time, the policy shifts intensify class conflict by reinscribing these social and political struggles to the state administrative apparatus, such as the CRTC.

In Canadian telecommunication, the dominant bloc (Bell Canada and BC Tel) has been subjected to new rules. The old 'natural monopoly' has been changed in a number of specific areas: mobile telephone services; interconnection and private line voice service, terminal attachment, enhanced services; resale and sharing; rate rebalancing and the new resale and sharing application that permits existing and new telecommunication service providers to meet the demands of the large telecommunication users.

Structural Telecommunication Relations

A structural model of state telecommunication relations is presented in Figure 1. The model identifies the major participants in the power bloc, organized according to their structural position within the federal telecommunication system. The model helps to explain the relations evident in the telecommunication field as well as the policy strategies by capitalist fractions, the state, and subordinate classes. This section describes how each capital fraction and the subordinate class attempt to influence and change these relations.

The Dominant Power Bloc:

(i) The Established Powers. It is useful to begin telecommunication policy analysis by identifying the dominant power bloc because the interests of these organizations set the pattern for other forces in the system. Bell Canada and BC Tel are the established powers in telecommunication. Until recently, their dominant position was met with only minor challenges from other capitalist fractions and from the
federal government. Bell Canada and BC Tel held a virtual monopoly on local and long distance residential and business telephone communications. Responding to earlier conflicts, the state regulated this bloc to meet the social demands of subordinate classes by holding the companies publicly accountable for rate increases and capital expansion plans (Babe, 1990:91-101).

(ii) Telecommunication Domestic Challengers. The major challenger to the hegemony of the established powers within the telecommunication industry has been CNCP Communications. CNCP recently amalgamated with Rogers Communications and is now known as Unitel. In 1979 CNCP petitioned the CRTC to allow it to connect to Bell Canada's network in order to provide voice service to its private line customers; CNCP launched a similar challenge to BC Tel's monopoly position in 1981 (Telecom Decisions CRTC 79-11 and 81-24). Both CRTC decisions allowed CNCP customers dial-up access for its voice and data business services.

Similar challenges came from would-be telecommunication service providers such as Challenge Communications, Harding Communications, and Call-Net. They also lobbied the state for a 'liberalized' terminal attachment policy similar to the one granted CNCP. The CRTC responded with an interim decision followed by a final decision permitting terminal attachment to Bell's telephone network (Telecom Decisions CRTC 80-13 and 82-14). Moreover, it was decided to permit residential customers to own their phones, rather than being obligated to rent them from the telephone companies.

CNCP Communications made a second challenge to the dominant bloc in 1985. Their application to the CRTC requested approval to interconnect to Bell Canada and BC Tel in order to provide long distance telephone services for their business customers. The subsequent CRTC ruling (Telecom CRTC 85-19) is considered by many to be a watershed decision (Janisch, 1986; Stanbury, 1986; Woodrow and Woodside, 1986). Although the CRTC denied CNCP's request to compete in long distance voice services and private voice services such as MTS, WATS and PBX, Telecom Decision CRTC 85-19 encouraged the formation of more powerful telecommunication-user affiliations, coalitions and lobby groups.
**Figure 1: A Structural Model of State Telecommunication Relations**

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**Subordinate Class**

**Unions**
- General Policy Activists (Unions)
- Communication, Energy & Paper Workers Union
- Telephone Workers Union of British Columbia
- Telecommunications Workers

**Civil Society Groups**
- Anti Poverty Groups
- Consumers Association of Canada
- Disabled People Groups
- Native People Groups
- Public Interest Advocacy Organizations
- Senior Citizen Groups and Coalitions

**Source:** Adapted from Mosco, 1982; McPhail and McPhail 1988.
The second major challenger, BC Rail Telecommunications - Lightel Inc. (BCRL), participated in the recent CRTC hearings for permission to provide long distance service (Telecom Public Notice 1990-73). BCRL is a joint venture company operated by BC Rail Ltd., Call-Net, and Lightel Inc. It is not presently operational except as a legal paper organization. BC Rail Ltd. operates a microwave network. Lightel, owned by Call-Net, operates a fibre route from Toronto to Fort Erie and is also presently negotiating a right of way agreement with CN Rail. Call-Net and Lightel form a facilities-based reselling service.

What is significant about the BCRL application is that Call-Net, as a re-seller of enhanced services and value added services, interconnects its switches to facilities leased from Unitel. It also connects with the U.S. carrier, Sprint, and has an exchange agreement with Rochester Communications Inc. (Interrogatories BCRL (Bell) 14 Sept 90-100-105 1C2). BCRL plans to build a number of facilities in Canada and another supplier (perhaps Sprint) is to build facilities along the Canada-U.S. border. The BCRL application thus represents the creation of a potential bypass network. As a microwave fibre network, BCRL could provide a private MTS/WATS-like service, selling only to large business users. Rather than develop their own private networks, it would benefit the large telecommunication users to have one approved by the CRTC in place.

(iii) Policy Recommendations by Telecommunication User Associations. The list of telecommunication users in Figure 1 reveals that a number of broad-based associations and coalitions have been formed. These act to unite competing capitalists into a counter-hegemonic bloc. The associations and coalitions, all heavy communication users, have combined into these lobby groups to influence and promote telecommunication competition in the state policy-making process. The members of the associations and coalitions represent various capital fractions such as finance, manufacturing, and service industries. They form the lion's share of the large corporate and business telecommunication users.

The telecommunication users formed these umbrella associations to get cheaper, efficient, flexible, integrated, and specially designed telecommunication services. The large users and the new telecommunication providers recognize the importance and significance of telecommunication. Telecommunication is no longer simply a business operating cost. Recent technological advances in the industry
have generated new services which can be sold as commodities. Unlike other goods, however, telecommunication service commodities have an never-ending life; they may be (re)commodified into various additional services and re-sold. Cheaper and specialized services are, in the users' view, necessary in order to take advantage of competitive markets domestically, continentally, and internationally.

Canadians for Competitive Telecommunications (CCT) includes the following groups and associations: Canadian Association of Data and Professional Service Organizations, Canadian Bankers Association, Canadian Business Equipment Manufacturers Association, Canadian Business Telecommunications Alliance, Canadian Federation of Independent Business, Canadian Organization of Small Business, Canadian Radio Common Carriers Association, Hotel Association of Canada, and the Ontario Hotel and Motel Association. Formed after the CRTC rejection of CNCP's application in 1985, the coalition expected their united views to influence federal policy outcomes. Their report, The Crisis for Canadian Business: Telecommunication Rates and the Public Interest (1986), argues that policy makers should reduce long distance rates for the business community because industries involved in the distribution of goods and services cannot improve their productivity in the face of excessive long distance rates. In Canada, long distance rates represent the third highest business operating cost, after wages and capital expenditures. For example, long distance and private bulk line rates for teleordering and telemarketing are 50 to 100 percent higher in Canada than in the United States. The CCT report warns that if telecommunication rates are not lowered Canadian businesses will simply bypass the Canadian system and use American systems.

Two policy reports were prepared by the Canadian Bankers Association (Taylor, 1989) and the Canadian Business Telecommunication Alliance (CBTA, 1989). The Canadian Bankers Association, and specifically the Royal Bank, recommended that telecommunications should be set more firmly under federal jurisdiction and that policy should be centrally regulated.5 The Canadian Business Telecommunication Alliance, following the position taken by the Business Council on National Issues (Langille, 1987:43-44), favoured a market driven telecommunication environment with less or no government regulation. Both the Canadian Bankers Association and CBTA are ideologically aligned with neo-liberal demands for a return to 'free enterprise'.
The Communications Competition Coalition (CCC) was formed in November 1989 to lobby and influence the Department of Communications, the CRTC, and other government departments and agencies. Membership includes company presidents and corporate executive officers of 150 Canadian corporations. The CCC supports an economic policy model of telecommunications, one which relies on the market rather than a regulated duopoly. Finally, the Information Technology Association of Canada (ITAC) represents approximately sixty members from information and technology companies. ITAC supports the Free Trade Agreement, and argues that Canadian businesses must be internationally competitive and that telecommunication policy must be restructured to meet these challenges (ITAC, 1989).

These large telecommunication users have concentrated and consolidated their positions by forming these powerful pro-competition lobby groups in order to influence the federal government to pass telecommunication decisions which reflect their position. User coalitions and associations have made policy recommendations suggesting how the state should: (a) formulate general national policy; (b) ensure that all telecommunications fall under federal regulation; and (c) determine that there be little or no state regulation of telecommunications.

(iv) Bell Canada's Response. Bell Canada responded to the issue of what was, in their view, excessive state regulation by reorganizing itself into Bell Canada Enterprises (BCE). The reorganization was approved by the Federal government's Bill C-19 and Telecom Decision CRTC 83-10. Prior to Bill C-19 Bell was almost entirely state regulated; after the BCE reorganization only telephone services were regulated.

Bell has also responded to increased competition by introducing major discounts for both residential and business users who call Canadian and/or American destinations. The discount packages, 'Between Friends' and 'Teleplus Canada', are part of a large offensive mounted by Bell to counter the various challengers (Telecom Decision CRTC 88-19). Other discount packages have been filed with the CRTC for special purposes business long distance lines. One package, called Megalink, is based on the international standard for Integrated Services Digital Network (ISDN) (Surtecs, December 3, 1990:B4). This discount package is aimed at medium and large corporate customers.

A second response by Bell Canada is their plan to rebalance telephone rates. It is claimed that if competition is permitted in long distance services, local rates will have to be rebalanced to counter the
current subsidy they receive from long distance revenues (Telecom Decision CRTC 88-4). Bell's rate rebalancing proposal, and the Phase III Costing study, reveals that in order to reduce long distance and MTS/WATS charges, subsidization would have to stop and local usage would have to increase (Telecom Decisions CRTC 88-4; 89-17; 85-19).

Bell's proposal to increase residential subscribers' local rates is coupled with its support of some form of targeted subsidies for needy subscribers. Targeted subsidies are part of the current discourse of telecommunication policy liberalization, a discourse that camouflages the effects of competition on low and fixed income subscribers. Targeted subsidies do not address the needs of those subscribers who are currently barely able to maintain their services. Similarly, they ignore regional disparities as well as the differences between urban and rural subscribers.

Bell has argued in various rebalancing proposals that long distance revenues subsidize local rates. Yet, critical telecommunication writers (Babe, 1990; Mosco, 1990 a,b,c; Roman, 1990) question Bell's accounting allocation practices. Tinker, Leham and Neimark (1988:188-216) explain that, like other forms of information, accounting is a set of social practices that reflect and reinforce a dominant ideology. They argue that accounting standards and terminology produce what is considered to be the objective reporting of business activity. They maintain that when accounting applications, standards and definitions are accepted and used by the state in a rational manner their importance is heightened. Business accounting practices are legitimized by the state via taxation legislation and the acceptance by state regulators of business accounting practices audited by the private sector but not by the state. Roman (1990:96-110) questions the whole accounting premise for rate rebalancing and costing in the telecommunication industry. He argues that the CRTC has been making decisions based on accounting hypotheses used by Bell and BC Tel; hypotheses which are largely untested. The CRTC does not provide independent audits. For example, an argument can be made that Bell Canada's claim that long distance rates subsidize local service is based on a particular costing method which justifies their request for rate rebalancing. Babe (1990:121-6) reveals that Bell does not have separate accounting practices for long distance and local services. Consequently, it is difficult to identify which costs and expenses should go to which services. At best, the argument that local service is subsidized is an arbitrary assessment.

Others also question the premise that long distance rates subsidize
local telephone service. Melody (1982) claims that the reverse is true. Huber (1987) argues that allocating true common costs is arbitrary and mysterious. Hills (1989:131) suggests that telephone rates tend to be distance-related, making long distance calls more expensive than local calls, although in terms of costs to the enterprise they are cheaper. According to Oettinger (1988), current pricing policies are 'fairy tales'; 'subsidies' are accounting constructs that allow for changes in political relationships. Selecting a particular costing method helps to determine final corporate outcomes for tax purposes, shareholders return on investments, and the equitable position of business. The particular accounting methods a business chooses are not neutral, but are chosen to reflect the best position of the corporation to shareholders, the tax department, state regulators and/or stock market investors.

The Capitalist State and the CRTC: An analysis of CRTC telecommunication decisions from 1977 to 1990 is provided in Figure 2. These decisions are pro-competitive, reflecting a 'liberalized' environment for Canadian telecommunications. New telecommunication policy has been approved by the CRTC to meet the demands of large telecommunication users and the new telecommunication providers. Nonetheless, the CRTC must also mediate the conflicts and compromises between the large user groups, would-be telecommunication providers, and Bell Canada and BC Tel. In order to ensure economic survival of the larger capitalist class, the CRTC has permitted competition in some key areas, thereby denying the telecommunication power bloc their monopoly position.

By permitting more competition in mobile and cellular telephone service, the CRTC allowed more companies to provide similar services to those offered by Bell and BC Tel. The CRTC also approved Cantel (Rogers Communications) as the national cellular radio service carrier (Telecom Decisions CRTC 77-16; 84-10; 84-29; 87-13). Considered a watershed decision, Telecom Decision CRTC 79-11, permitted CNCP to interconnect to Bell Canada's network, allowing CNCP to set up their own private business network. A second decision (Telecom Decision CRTC 81-14) allowed CNCP to interconnect with BC Tel. The Commission also permitted CNCP to set its private line service rates 5 to 10 per cent lower than Bell and BC Tel.

One exception to the pro-competitive rulings during this period
CRTC Pro-competition Telecommunication Decisions from 1977 to 1990

**Mobile and Cellular Radio Telephone Service**
- Telecommunication Decision CRTC 77-16 Challenge v. Bell Canada
- Telecommunication Decision CRTC 84-10 Mobile/cellular interconnect to Bell and BC Tel
- Telecommunication Decision CRTC 84-29 Follow up to Decision 84-10
- Telecommunication Decision CRTC 87-13 Cantel national cellular radio telephone service

**Interconnection and Private Line Voice Service**
- Telecommunication Decision CRTC 79-11 CNCP interconnection with Bell
- Telecommunication Decision CRTC 81-24 CNCP interconnection with BC Tel
- Telecommunication Decision CRTC 83-10 CNCP rates for private line service
- Telecommunication Decision CRTC 85-19 CNCP denied competition in long distance service

**Terminal Attachment**
- Telecommunication Decision CRTC 80-13 Interim terminal attachment requirements Bell
- Telecommunication Decision CRTC 81-19 Interim terminal attachment requirements Bell
- Telecommunication Decision CRTC 81-21 Pre-hearing on terminal attachment competition
- Telecommunication Decision CRTC 81-23 Standards for terminal attachment to Bell
- Telecommunication Decision CRTC 82-14 Attachment of subscriber terminal equipment
- Telecommunication Decision CRTC 84-11 Terminal attachment tariffs by Bell and BC Tel
- Telecommunication Decision CRTC 84-12 Terminal attachment to NorthwesTel
- Telecommunication Decision CRTC 84-13 Terminal attachment to Terra Nova
- Telecommunication Decision CRTC 84-14 Terminal attachment for Telex and TWX equipment
- Telecommunication Decision CRTC 85-5 Paradyne attachment for Telex & TWX equipment

**Enhanced Services**
- Telecommunication Decision CRTC 84-18 Regulatory policy for enhanced services
- Telecommunication Decision CRTC 85-17 Identity & classification enhanced services
- Telecommunication Decision CRTC 87-5 Call-Net's service only basic service
- Telecommunication Decision CRTC 87-14 Call-Net's review of Decision 87-5
- Telecommunication Decision CRTC 89-17 Call-Net illegal resale & sharing basic service

**Resale and Sharing**
- Telecommunication Decision CRTC 85-19 Some resale & sharing permitted
- Telecommunication Decision CRTC 87-1 Resale & sharing of primary exchange voice
- Telecommunication Decision CRTC 87-2 Resale & sharing classifications and tariffs
- Telecommunication Decision CRTC 90-2 Resale & sharing Teleglobe international service
- Telecommunication Decision CRTC 90-3 Resale & sharing of private line service

**Source:** Adapted and extended from Janisch et. al., 1987.
was the denial of CNCP's application to provide long distance public telephone services (Telecom Decision CRTC 85-19). Retreating from its former position, the CRTC was concerned that CNCP would not be able to provide universal service or offer the price discounts it forecasted in its business plan. The CRTC noted that CNCP's net income would be negative for its first four years of operation, yet the next six years would provide a rate of return of 20.6 percent. Hence, the CRTC's refusal to permit CNCP to compete in long distance telephone service appears to be primarily influenced by questions concerning the economic feasibility of CNCP's plan.

Faced with challenges to its monopoly position, Bell Canada applied to the CRTC to be given permission to liberalize its corporate rules (Telecom Decision CRTC 80-13). The subsequent decision gave the telephone subscriber the choice of purchasing or leasing their phone sets. After five years the CRTC followed this decision by extending terminal attachment to Telex and TWX equipment (Telecom Decisions CRTC 81-19,21, 23; 82-14; 84-11, 12, 13, 14).

In the area of enhanced services, the CRTC permitted more competitors with less regulation. Only Bell's and BC Tel's enhanced services would be regulated by the CRTC. Bell and BC Tel had to make sure there would be no cross subsidization from their phone monopolies to lower their enhanced service rates. The CRTC held both carriers accountable to make sure they would not participate in unfair competition practices. Finally, the Commission established a dispute resolution mechanism placing onus on the carrier to justify a denial of the resale and sharing of enhanced services to would-be providers (Telecom Decisions CRTC 84-18; 85-17; 87-5, 14; 89-17).

The rulings reached by the CRTC on enhanced services helped to intensify disputes throughout the 1980s. Bell and CNCP denied the resale of enhanced services to Call-Net Communications Ltd. Accepting Bell's argument, the CRTC concluded that except for voice mail and the routing of calls, all other Call-Net services were not enhanced but basic services (Telecom Decision CRTC 87-5). Accordingly, the CRTC directed both Bell and CNCP to stop supplying Call-Net with their MTS/WATS facilities.

Call-Net responded by having Decision 87-5 reviewed. In Telecom Decision CRTC 87-14 Call-Net claimed that the CRTC had made a number of errors. The CRTC's investigation of its decision found that no errors had been made. Call-Net applied directly to the
government and through an Order-in-Council the government permitted Call-Net to extend its access to Bell and CNCP for almost one year.

The Order-in-Council overruled the CRTC decision, giving Call-Net time to restructure its business operations to conform with the Commission's ruling in Decision 87-5. In 1988 (Telecom Decision CRTC 88-11) Call-Net reapplied to the CRTC to examine its new enhanced services, CDAR. The Commission ruled that except for incoming call identification and voice recording storage and retrieval, all other CDAR services were basic and not enhanced services. Moreover, Call-Net's wide area telephone services (WATS) did not meet the definition for enhanced services (Telecom Decisions CRTC 84-18; 87-2, 5; 88-11).

These events were repeated as Call-Net tried to organize its customers into sharing groups so that private lines could be used jointly. The CRTC considered this reorganization an illegal way to re-sell enhanced services (Telecom Letter Decision 88-9). However, a second Order-in-Council extended Call-Net's cut-off from Bell and CNCP. These disputes were resolved when the CRTC relaxed its rules governing the resale and sharing of private network services (Telecom Decision CRTC 90-3).

Until Telecom Decision CRTC 85-19, federally regulated carriers were prohibited from re-selling and sharing their services, except via a special agreement approved by the CRTC.9 The CRTC concluded that resale and sharing would benefit through more competition. Non-regulated suppliers would not be regulated. The rational offered by the Commission was that the new competitors would rely on competitive pricing. In other words, the environment would be governed by market forces rather than government regulation. Meanwhile, the resale and sharing services offered by Bell and BC Tel would continue to be regulated.

The Subordinate Class: Telecommunication Trade Unions: In a commissioned study (Mosco and Zureik, 1987), the Communication, Energy and Paper Workers Union of Canada (CEP), formerly the Communication and Electrical Workers of Canada (CEWC), note that technological modernization in the telecommunication industry leads to job losses, deskillings, the computerized monitoring of work performance, and increases in part-time and contract work. Aside from these issues, the CEP has also been active in sharing information with the Canada
public on the effects of deregulation and long distance competition. Part of their campaign in 1985 to defeat CNCP's bid to compete in long distance services involved the distribution of petitions and pamphlets, the creation of toll free phone information, and the launching of a national media campaign. Along with the Telecommunication Workers Union (TWU) and other civil society organizations, the CEP was successful in preventing CNCP from competing in long distance services (Telecom Decision CRTC 85-19). More recently, the CEP has spoken out against similar applications filed by Unitel and BCRL (CEWC, 1989).

The CEP supports a single regulated monopoly network, arguing that the creation of more long distance networks would involve an expensive capital outlay that would result in substantial telephone rate increases. The CEP also supports a single future broadband network. The CEP favours a single network because it would help create and protect jobs. It is also felt that it would be easier to set policy over one network. Ironically, this leaves the CEP in a contradictory position, supporting similar policies to those of Bell.

The Telecommunication Workers Union (TWU), like the CEP, has been actively involved in the telecommunication policy process. The TWU has made policy recommendations to the Department of Communications and the CRTC (Schniad, 1990). They argue that competition in long distance voice and data services would not be in the public interest, but would only benefit the business community. Instead, the union supports a state-of-the-art unitary network governed by strict regulatory requirements.

Civil Society Groups and Organizations:

(i) First Nations Organizations. Koebberling (1990:22) notes that as early as 1970 the Inuit presented their telecommunication needs to the Department of Communications. The Inuit Tapirisat of Canada (ITC) lobbied for reliable and inexpensive interactive services suitable for the harsh conditions of the Arctic. Often the whole Inuit community participated and spoke at hearings (Telecom Decision CRTC 77-16). Along with complaints about a system that did not work for up to three or four weeks at a time, the ITC expressed concerns with disconnections that resulted because bills were received late or written only in English.

Service problems were resolved in the late 1970s, but this was followed in the 1980s by fewer specialty services and increased rates. McNulty (1980:1-15) argues that Northern telecommunication expansion
and control was geared to meet the needs not of the Inuit, but particular Northern development projects (for example, mining exploration), the major telephone companies, and the Federal government.

The ITC challenged Bell's rates at a number of hearings, arguing that remote northern areas should have specialized flat rates and be able to take advantage of the special discount packages offered to southern subscribers. The CRTC rejected the ITC's recommendation for a 24 hour flat rate (Koeberling, 1990:25). However, the Inuit are not only interested in the economic advantage of telecommunication services but, more importantly, in the capabilities for education, health and transportation as well as social and cultural applications.

(ii) Disabled People's Groups. The Canadian Hearing Society and the Canadian Coordinating Council on Deafness have participated in a number of CRTC hearings on rate rebalancing, resale and sharing, and interconnection. Both organizations urged the CRTC to introduce technical standards to ensure that all telephones are compatible with a hearing aid device called a telecoil can. BC Tel, the Canadian Manufacturers Association and the Canadian Business Manufacturers Association argued that it would cost too much ($10 per telephone) to convert single line phones. The CRTC ruled that Canada is committed to disabled groups and that telephone devices for the hearing impaired should be as low as possible. Nonetheless, the CRTC did not change the standards rule for hearing aid compatibility (Telecom Decision CRTC 82-14).

It was only after further standards hearings and additional participation by other disabled organizations such as the Advocacy Resource Centre for the Handicapped and the British Columbia Old Age Pensioners Organization, that the CRTC approved the changes for telephone sets for federally regulated carriers in 1987 (Telecom Decision CRTC 87-1).

(iii) Anti Poverty Groups and Public Interest Advocacy Organizations. The National Anti-Poverty Organization (NAPO) has and continues to participate in the telecommunication policy process. NAPO was an active participant in the liberalization of terminal attachment hearing and in CNCP's long distance bid in 1985. Permitting competition in telecommunication services, according to NAPO, benefits business users and the new telecommunication providers at the expense of ordinary Canadian telephone subscribers.

The Public Interest Advocacy Centre (PIA), a non-public law
organization, represents various civil groups before regulatory tribunals, the courts, and legislative committees. Past hearing involvement includes those concerning interim terminal attachment, rate rebalancing (Telecom Decisions CRTC 85-19, 88-4), and the recent hearing on competition in long distance telephone service (CRTC Telecom Public Notice 1990-73). PIA agreed with the Federal Provincial Territorial Task Force (1988) that if competition is permitted and long distance rates are reduced, economic supply and demand theory predicts that long distance calling would increase, consequently increasing long distance revenues. Hence, PIA argues that local rates would not have to increase. PIA also notes that Bell and BC Tel's modernization programs are subsidized by residential subscribers, even though most of the programs only benefit the business subscribers (Todd, 1990:iii-iv).

(iv) Senior Citizen Groups and Coalitions. Various senior citizen coalitions, such as the British Columbia Old Age Pensioners' Organization (BCOAP) have taken part in a number of hearings. BCOAP's position in rate rebalancing and long distance competition is that if local phone rates increase, numerous seniors on fixed incomes would be adversely affected. Seniors consider telephone services to be a necessity for emergency and social use. Such groups hold the view that it is the telephone system's social aspect which increases its service value to all subscribers. If competition is permitted in long distance service and local rates go up, a number of subscribers would drop off the system.

It is interesting to note that in 1985 (Telecom Decision CRTC 85-19) Bell estimated that 160,000 subscribers, or 400,000 individuals, would drop off the system if rates were rebalanced. Similarly, BC Tel forecasted that 30,000 of its subscribers would have to leave the network and 70 percent of its population would pay higher prices. In the recent long distance competition hearing Bell, BC Tel, Unitel and BCRL as well as the large telecommunication user groups all supported 'targeted subsidies' to alleviate the drop-off of subscribers.

Targeted subsidies, however, is simply another name for telephone welfare programs. Mosco (1991:4), in evidence presented before the CRTC on long distance competition, emphasizes that there are important lessons to be learned from the American experience with telephone welfare programs:

By 1990, 49 states, the District of Columbia, and the federal government operated a wide range of programs to subsidize the cost of telephone installation.
Admittedly the names of these programs avoid identification with traditional social assistance. Link-Up America, which subsidizes installation, and Lifeline, which provides service discounts have replaced earlier reference to phone stamps.

Included in these programs are not only federal subsidies, but state run programs each with varying criteria for welfare eligibility, including income verification tests that are often administered by the phone companies. Moreover, the welfare programs have failed to reach the majority of the eligible subscribers.10

(v) Consumers Association of Canada. The only organization which claims to represent all Canadian residential telephone subscribers, the Consumers Association of Canada (CAC), occupies a shifting ideological position which is increasingly difficult to identify. In numerous hearings, the CAC supported competition on behalf of business users (see the terminal attachment Decisions 80-13, 82-14, and enhanced services Decision 84-10, etc.), but often ignored the interests of residential subscribers.

The CAC's (1991) evidence in the 1990-91 long distance competition hearings recommends that the Consumer Price Index would be a good measure of affordability if applied to telephone bills. According to the CAC, residential subscribers can afford to pay more for their services.11 Further, the CAC (1991:24) emphasizes the importance of developing economic and technical criteria for meeting the needs of medium and small business. What is noteworthy about the CAC is that their position is unlike that presented by American consumer organizations during AT&T hearings; the CAC has virtually abandoned the non-business subscriber. This position is a good example of how a group within the subordinate class can become fractionalized and serve the interest of the power bloc.

Conclusion

Telecommunication services have been and continue to be created to meet the demands of large users and the business sector. The CRTC has contributed to the process by permitting more competition and liberalizing telecommunication policy. This shift has meant that many business services are no longer placed under public supervision or regulation.
Conversely, the submissions offered by unions, anti-poverty organizations, the hearing impaired, seniors organizations, and native peoples reveal that recent policy shifts come at the expense of public interest and universality. In Canada, the concept of universality is increasingly approached from an economic and/or technical point of view by the telecommunication industry and the CRTC. Universal service simply means the ability to reach more consumers. However, as Garnham (1989:125) explains, this approach is limiting because it regards telecommunication service solely as an economic good to be consumed like any other commodity. Hence, the distribution of telecommunication welfare becomes an important policy consideration for suppliers, the state, unions and various civil society groups and organizations. Policy objectives are translated into reasonable costs (affordability) for consumers, ignoring the vital issue of the needs of citizens.

"Targeted subsidies" are also part of the current discourse of telecommunication policy liberalization. This discourse is an attempt to camouflage the effects of telecommunication competition on low and fixed income subscribers, but it does not address subscribers who value telephony for its social/cultural usefulness. The shift away from public service also increases the problems of regional disparity, the differences between northern and southern, urban and rural subscribers.

Until the late 1940s telephone service in Canada discriminated against many Canadians on a class basis. Service was considered to be a business tool or a luxury (Mosco and Pike, 1986). The evidence presented in this analysis suggests that a shift to liberal policies is eroding the social principles associated with public policy, generating a two tiered system; one for basic services and one for privileged and business users. In the process, the telephone could be transformed back into the luxury item it was fifty years ago.

An alternative to a two tiered telecommunication system is a telecommunication environment influenced and guided by social regulation. Mosco (1990c:30-32) offers important suggestions for social regulation, breaking it into short term and long term goals and objectives. In the short run, a commitment to universality requires a stronger focus on the social regulation of the telecommunication industry. This would mean stronger regulation of accounting, pricing and investment practices of all the carriers, including the Telecommunication Canada consortium, Unitel, BC Rail/Lightel, and Call-Net. Stronger social regulation also means that issues with significant social implications must receive
heightened attention. This includes informing and educating the public about the social, cultural, and economic implications of new services.

In the long term, it is necessary to examine the values, network types, forms of governance, and pricing mechanisms that can frame another vision of a transformed telecommunication system. What this means is that rather than building on a market framework, as workers and citizens we need to determine the real communication and information needs of people. We need to begin with a broader commitment to universality; one which includes the fundamental right of access to the production, distribution and use of information services in general. Further, the fundamental right to universal access to telecommunication networks needs to include a wide range of voice, information, and signalling services. Longer range values involve developing a strong and democratic policy process which defines issues for the policy agenda by soliciting and organizing public participation in policy decision making and implementation.

Postscript

Since this research was conducted, significant developments have occurred which warrant further comment. In 1992, the CRTC permitted competition in long distance services, breaking up the monopoly held by Bell Canada and BC Tel. Although new long distance telephone service suppliers such as Unitel and BC Rail/Lightel will be able to compete with Telecommunication Canada members, the process is far from over and the telecommunication arena continues to change.

Bell Canada has unsuccessfully contested the CRTC ruling. More recently, Bell has applied to the CRTC to increase its residential and business local rates. These rate increases range from 10 to 65 per cent. Bell maintains these increases are necessary so that it can now compete effectively in Canadian telecommunications. Call-Net, a partner with BC Rail/Lightel, is in the process of acquiring other telecommunication companies as it strengthens its position through consolidation to compete in the public long distance market. Similarly, significant changes are occurring at Unitel which recently sold a 20 per cent share of its corporation to AT&T. This is the first step in breaking a hundred-year tradition in which decision-making and control of the telecommunications industry was overseen by the Canadian public.
Notes

1. Babe (1990:90) explains that in 1880 Bell Telephone Company of Canada was given a charter to incorporate a national company. The charter was a de facto monopoly for early telecommunication communications. Bell's charter permitted the company to manufacture and develop a telephone system with a guarantee from the federal government that there would be no interference from other competitors. From 1880 until 1906 Bell's "monopolistic price gouging, over predatory business practices, and over service deprivation in rural areas" (Babe, 1990:90) led to a public outcry. Numerous petitions were sent to the government demanding that the company be nationalized. The federal government responded to public pressure by subjecting Bell to a very loose form of regulation in 1906 by a state agency known as the Board of Railway Commissioners for Canada. Their mandate was extremely vague, dealing only with the issue of rates; their only criteria was that rates be just, reasonable and applied to all people at the same rate. In 1976 federal telecommunication regulation was assigned to the Canadian Radio-television and Telecommunication Commission.

2. CNCP is the monopoly producer of telegraph services such as teletex and telex. The organization also provides a wide range of private telephone services. More recently CNCP offers private line voice, video, facsimile and data services. It is also the exclusive supplier of Canada's broad band data services (Datapro, 1989).

3. Private branch exchanges (PBX) are terminal and switching devices. When located on the customer's premises, they are called terminals but when they are provided by a telephone company on its premises, they are referred to as centrex exchanges (Babe, 1990:28).

4. The term 'by-pass' refers to the capability of the new communication technology and the new telecommunication networks to redirect (by computer or networks) telecommunication traffic to other networks.
5. Until the Supreme Court decision of August 14, 1989, telecommunication regulation and policy was split between federal, provincial and a few municipal governments. The federal regulator, the CRTC, regulated the private telecommunication providers, Bell Canada and BC Tel. Provincial governments were responsible for regulating the public telecommunication sector. A few municipalities such as Edmonton own, operate and regulate their own telecommunication systems.

6. As part of this research project a written request was made to the CCC for a list of its members. Gloria Schpales, Mr. Richardson's executive assistant, informed this researcher on July 13, 1990 that the CCC was "unable to send a list of its members."

7. In Canada, the Canadian Institute of Chartered Accounts (CICA), the National body of Chartered Accounts, is responsible for accounting and auditing standards. Its recommendations are used by public accountants, small businesses, commerce and industry, governments, finance, etc., are published in the *CICA Handbook* (Smith et. al., 1978). The accounting profession, business and the state accept the legality and legitimacy of these practices. The critique of accounting methods and practices offered in this paper is an attempt to show that within a class analysis accounting practices are not neutral. It is common practice, for example, for trade unions, when negotiating collective agreements with business, to scrutinize the audited annual corporate reports for various legal ways to defer taxation through depreciation, reserved funds, shareholder's equity, contingency funds, etc.

8. CNCP's application proposed that it would obtain a market share of MTS/WATS service of approximately eight per cent over 10 years, make contribution payments equal to 11.5 cents per minute, and offer prices 20 to 30 per cent below the existing telephone rates. The CRTC noted that in order to make CNCP's MTS/WATS services profitable, a large discount would be required from Bell and BC Tel. The Commission was concerned that requesting such a discount would result in higher local rates (Telecom Decision CRTC 85-19 and Interrogatory CNCP (CRTC) 05 October 84-1302).
10. As of 1990 in the United States only 3.06 per cent of eligible link-up subscribers have enrolled in the program and 31.8 per cent of life-line eligible subscribers have signed up in 48 states (Mosco, 1991:4).

11. After applying the Consumer Price Index to telephone bills from 1986 to 1990, the CAC argues that bills have declined by 7.9 per cent, whereas other residential bills increased by 16.0 per cent.

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