

Taking the caller off hold: Move forward with telecom deregulation

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In January the Atlantic Institute for Market Studies submitted comments to Industry Canada in response to the Order Varying Telecom Decision CRTC 2006-15.

Let me briefly summarize our response.

We are supportive of the proposal to replace the CRTC's market share test with the competitive facilities test (or the alternative competition test) and to move to areas smaller than the Local Forbearance Regions defined by the CRTC as the geographic basis for deregulation decisions.

The framework established by the Commission is too timid and unnecessarily delays the benefits of full competition to consumers.

The entire province of Prince Edward Island constitutes a single CRTC-defined

Local Forbearance Region and it provides an interesting example on this point.

The population of PEI is approximately 140,000 and the population of my hometown of Charlottetown is approximately 65,000.

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Suppose a competitor entered the Charlottetown telephone service market and captured 51 percent of the customers so that it now was the largest service provider in the city. By CRTC rules, the Charlottetown market would remain regulated and the incumbent telephone company, now the number two service provider in the city, would still have restrictions on its marketing and pricing decisions, unlike its now larger rival.

When the outcome of regulation is to hinder the number two player in its ability to compete with the market leader, then

there is something wrong with the regulation.

It also must be kept in mind that a large market *share* does not necessarily translate directly into market *power*. The real question is whether a large market share would survive an attempt to charge high prices and earn monopoly profits. Given the degree of competition that we already have seen spring up in recent years, we do not believe that this would occur in a market featuring three facilities-based competitors. There is more than ample evidence that consumers are willing to switch providers when they perceive better value from a competitor than what the incumbent can offer.

Getting back to the question of geography, smaller is better because it allows for a more precise and effective regulatory response. Deregulating a large region in which there are some areas with no competitors present could put some consumers at risk; conversely, failing to deregulate a large region featuring areas in which competitors have made significant in-roads denies the benefits of full competition to consumers in those areas. By drilling down to smaller areas, regulation can be kept in place where competitors are not present and the benefits of full competition can be provided where competitors are present.

We also support the removal of the "winback" prohibitions. Competing offers from service providers is the very essence of competition. If Competitor A knows that Competitor B will be restricted in its ability to respond, it seems reasonable to think that Competitor A may not sharpen its pencil quite as much as it could have.

In the Canadian communications sector, liberalization, deregulation, and the

introduction of competition have too often been implemented as halting half-measures. Regulatory inertia deprives consumers of the benefits of full competition. We support the proposal to accelerate the pace to a deregulated local telephone marketplace where competition has taken hold.

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To access the AIMS' Submission to Comment on Order Varying Telecom Decision CRTC 2006-15, [click here](#)



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