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SPEAKING NOTES

For

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Competition Bureau
Government of Canada**

Standing Committee on Industry, Science and Technology

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Introduction

Mr. Chairman, Members of the Committee, I am pleased to have this opportunity to appear before you today to discuss recent developments concerning regulation in the telecommunications sector. I am accompanied today by Richard Taylor, Deputy Commissioner of Competition, Civil Matters Branch of the Bureau.

In my opening remarks, I would like to highlight the Bureau's position with respect to telecommunications deregulation and the steps that the Bureau is currently taking to prepare itself for the coming changes in the telecommunications regulatory environment. As you would expect, the Bureau strongly supports efforts to place greater reliance on market forces in this vital industry.

The Bureau's Role in Telecommunications Reform

The Bureau has a long history of engaging itself in the debate about telecommunications regulatory reform. Under s. 125 of the *Competition Act*, the Commissioner has a statutory right to make representations and call evidence before federal boards, commissions or tribunals in respect of competition in relevant proceedings.

This power of intervention has been used extensively by the Bureau over the years in a number of industries, but none more extensively than telecommunications. Since 1990, the Bureau has made 65 interventions before the Canadian Radio-television and Telecommunications Commission, including fully participating in the 2005 local forbearance proceeding.

The Bureau's objective has always been the same. Our role is to encourage regulators to adopt approaches that rely to the greatest extent possible on market forces. Where regulation is necessary, the Bureau has advocated that the regulation be the minimal degree necessary to achieve the objectives of the regulator. Over this period of time, the Bureau has advanced several guiding principles which we believe provide an effective framework for deregulation:

1. Where competition in an industry is feasible, that is, it is not a "natural" or governmental monopoly, one should move to reliance on market forces as soon as possible.
2. Where continued regulatory oversight is required, one should adopt the regulatory model that emulates market outcomes as closely as possible.
3. Where regulation has distorted prices, regulators should move quickly to ensure that prices reflect the costs of providing the service.
4. If new entrants do not have market power, they should not be regulated.
5. Former monopolies should be deregulated as soon as market conditions are such that you have sustainable and effective competition to protect consumers.
6. The period of transition, where some market participants are regulated while others are not, should be no longer than necessary.

As the Telecommunications Policy Review Panel noted in its final report, the telecommunications sector has evolved through technological change and innovation to a point in most markets where it is now safe to move away from continued regulatory oversight and to begin to place greater reliance on market forces. Indeed, competition has already replaced regulation for a number of telecommunications services, such as long distance, the Internet and wireless. Local telephony is the next step in this transition.

Recent Bureau Initiatives

As deregulation continues, the Bureau will have an increasing role in encouraging and maintaining competition in the telecommunications sector. This means that it will be competition and market forces, not a regulator, that will discipline the activities of the industry and determine prices and levels of service. The Bureau's role will be as it is with any industry - to intervene only in those specific circumstances where anti-competitive conduct threatens the proper functioning of the market - and will not consist of ongoing regulatory oversight. Nonetheless, the Bureau anticipates that it will initially see an increase in the level of complaints in this industry. In this regard, we have been developing and refining our tools and resources.

The Bureau recently supplemented its general Abuse of Dominance Enforcement Guidelines with a draft Information Bulletin on abuse of dominance in the telecommunications industry. This document sets out specific types of conduct that the Bureau believes could result in enforcement action under the *Act*. The purpose of this Bulletin is to provide clarity for industry participants on the conditions that must be met under the *Competition Act* before the Competition Tribunal can issue a remedial order. The Bureau has recently completed its consultations with interested parties and is in the process of finalizing the Bulletin for release later this spring.

As a final point, I would note that the TPRP recommended that the Bureau and the CRTC collaborate on finding ways to make the best use of our respective areas of expertise. In this regard, even before the publication of the Panel's final report, we were working to improve the level of cooperation between our two agencies. Subsequent to the release of the Final Report, we put in place a working group to follow up on the Panel's recommendations. This provided a valuable forum for the Bureau to draw on the expertise of staff of the CRTC as we developed the Telecom Abuse Bulletin. Subject to the limits imposed by the existing legislative framework, we believe that there is scope for even further cooperation and information sharing and I look forward to working with the new Chair in this regard.

At this point, we would be pleased to answer any questions that the Members may have. Thank you.