

# Nationalizing telecom companies wouldn't work. Just look at Canada Post

By Andrew Seipp

September 6, 2014 – *The Globe and Mail*

Last week Gerald Caplan suggested that Canada should start nationalizing companies, especially telecom giants like Bell and Rogers, namely because of their dismal customer service. It's not that I disagree with his sentiment, as my consulting practice is built in part on helping customers avoid the pain of dealing with their telecom providers. But the idea of replacing a cozy oligopoly with a government monopoly is asinine. In fact, you needn't look far to see what it would look like.

Just look at Canada Post.

In March, Canada Post eliminated home delivery under the guise that it would reduce delivery costs. They also raised the price of service by a whopping 35 per cent, giving Canadians less service for more money. Even worse, there's nothing that consumers can do, because under the Canada Post Corporation Act private-sector couriers like UPS or Fedex are required to charge no less than three times the price that Canada Post charges for letter delivery. There is in effect no incentive for Canada Post, or its competitors, to become more efficient because they have a protected monopoly.

Mr. Caplan's scenario of nationalizing Bell and Rogers would go from a situation of "pick your poison" to "eat your poison." Even though both companies have problems with customer service, they both have an incentive to improve because more and more customer service is becoming the differentiator for telecom companies. It's worth looking at reports published by the CCTS, the body that handles telecom complaints, and see which company receives the least. Per 1,000 subscribers, the company that receives the

fewest complaints is Telus. Not so coincidentally, Telus also has the highest subscriber growth rate and the lowest cancellation rate in the industry.

But with Government Tel, there'd be no incentive to provide any service. You'd have to take what you can get because you'd have no other options.

The wild card is Sasktel, the Saskatchewan government-owned Crown Corporation, but it's worth bearing in mind that they compete with other providers in Saskatchewan even going so far as allowing Bell and Telus to use their wireless network and compete directly with them. It's also quite telling that with four providers, Saskatchewan has the best wireless rates in the country. But it's not because of the incumbent crown corp. It's because there are four providers all fiercely competing with each other.

The solution isn't for the government to nationalize our telecom companies. The solution is for the government to create an environment where new entrants can compete. There are promising signs that this is happening; Videotron's participation in the last spectrum auction and the CRTC decision to regulate domestic roaming rates that incumbents are allowed to charge. In response, upstarts like Wind Mobile have already slashed their retail Canadian roaming rates by 95 per cent. Despite some challenges in Canada's telecom policy, the dramatic transformation of the CRTC into a consumer advocate seems to have worked and it seems possible that Canadians may finally get the service and pricing that we deserve.

*Andrew Seipp is a consultant in the telecom industry.*