



Canadian  
Consumer Initiative

L'Initiative canadienne  
des consommateurs

## Parliamentary Briefing Note

Prepared by the *Union des consommateurs* and *Option consommateurs*  
for the Canadian Consumer Initiative

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# The Need for an Integrated Telecommunications Policy

## The Issue

Residential phones, cell phones, Internet – nowadays, most Canadians consume numerous telecommunications services, which have become essential: cellular telephones are increasingly replacing residential land lines, while Internet has become essential, not only for maintaining social connections, but also as a tool for integration and economic freedom.

Today, people without Internet access may have difficulty obtaining the information they need, including government information, to maintain social connections and even to find a job. This is true for all citizens, but especially so for vulnerable populations or people living far from major centres, who use telecommunications to counter the effects of isolation and exclusion.

These essential services are provided in a more or less equitable manner, depending upon the region. Some consumers who lack sufficient means have no access to these services, which are not as affordable as they should be.

Undecipherable invoices, poor customer service, faulty information, surprise charges – telecom customers who do have access often do not receive adequate service, despite the high costs they have to pay.

In light of the barriers they face, dissatisfied customers who want to change service providers face an extremely difficult, if not impossible, challenge.

Due to a lack of real competition (a situation carefully maintained through corporate practices), Canada, once a leader in telecommunications, is now low on the list of developed countries in terms of the cost-effectiveness of telecommunications and developing services.

## Telecommunications services are not accessible for everyone

An annual monitoring report on the *affordability* of telecommunications services is provided every year upon request by the Canadian Radio-television and Telecommunications Commission (CRTC). The 2008 report notes that in Canada, about 3% of families have no telecommunications services. Of those families, 87% are in the bottom quintile in terms of income. Two thirds of them receive social assistance, and over half of them explain their non-subscriber status as being due to the excessively high cost of telecommunications services.<sup>1</sup>

1. "Prise en considération des consommateurs à faible revenu dans les prestations de services de télécommunications : où en est le Canada?", Union des consommateurs, June 2009.

**THE CANADIAN CONSUMER INITIATIVE** is a coalition of four major Canadian consumer organizations: Consumers Council of Canada, Option consommateurs, Public Interest Advocacy Centre and Union des consommateurs.

**L'INITIATIVE CANADIENNE DES CONSOMMATEURS** est une coalition formée des plus importantes associations de consommateurs au Canada, soit le Conseil des consommateurs, le Centre pour la défense de l'intérêt public, Option consommateurs et l'Union des consommateurs.

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## **Canadian Consumer Initiative—The Need for an Integrated Telecommunications Policy**

An analysis of expenditures on telecommunications services (residential telephone + wireless + Internet) as a percentage of overall household expenditures is quite revealing: in households in the bottom quintile for income, those expenses represent about 3.3% of household expenditures, compared to 2% for average households. This means that low-income households spend more of their resources on telecommunications services, despite the fact that they often receive only basic services.

A look at the regulatory frameworks and the various initiatives put in place to improve the accessibility of telecommunications services in the United States, the United Kingdom, France, Belgium, Australia and Austria<sup>2</sup> shows that Canada could do much more to improve access to those services for vulnerable populations.

### **Customer service is lacking in a number of ways**

Many of the consumers who have access to telecommunications services are dissatisfied with them. The numbers speak eloquently in this regard. In 2008, telecommunications companies were among the companies about which the Better Business Bureau received the most complaints.<sup>3</sup> Indeed, of the 1,382 types of businesses ranked in order of the number of complaints received, land-line phone companies were in 17th place, television services were 14th, Internet services were 7th and cellular telephone services were in first place!

In 2009, over a six-month period, Option consommateurs received 300 complaints about telecommunications companies, most of which were related to customer service.

Research conducted by Option consommateurs<sup>4</sup> has made it possible to identify a number of problems: telephone systems in which it is hard to navigate, esoteric language that is hard for consumers to understand, an intransigent and intolerant attitude on the part of employees, a lack of transparency by the company, which never assumes responsibility, insufficient and poor information, no follow-up in the complaints process, customer service turned into marketing, etc.

### **All services from one company on the same bill – impossible to understand!**

According to research by Option consommateurs,<sup>5</sup> telecommunications companies' invoices are often hard to understand. The higher the number of services provided, the more complex and frustrating the invoice is – and, as companies offer bundling discounts to consumers who receive more than one telecommunications service from them, many consumers are in this situation. According to Statistics Canada, only 42% of Canadians reached level 1 or 2 on a scale of understanding of the language used in 2005 (whereas level 3 is required to function in today's society), so it is easy to see the magnitude of this problem.

### **It is hard for consumers to change providers**

Consumers who are dissatisfied with the service they receive may want to change service providers. As shown by a Union des consommateurs study,<sup>6</sup> they will then face a considerable number of obstacles. Apart from problems related to inadequate information, many of these obstacles are economic in nature. Most of them result from the fact that the telecommunications market is not sufficiently competitive.

2. Id.

3. According to the Canadian complaints statistics of the Better Business Bureau. See <http://www.bbb.org>

4. "Avez-vous le bon numéro? Le service à la clientèle des entreprises de télécommunications au Canada", *Option consommateurs*, June 2010.

5. "Entreprises de télécommunications : une facturation unique et incompréhensible", *Option consommateurs*, April 2008.

6. "Les barrières aux changements de fournisseurs de services en télécommunications", *Union des consommateurs*, June 2008.

## **The source of the problems**

It was in an environment of adequate regulations that Canada became a leader in telecommunications. Unfortunately, that climate of openness to competition, despite its considerable advantages for both the market and for consumers, did not produce the expected results. The dominant position of certain players once again requires direct intervention by the regulatory body. The CRTC seems to increasingly ignore the real needs of consumers and the importance of the role it must play in order to discipline the market and guarantee its effectiveness through competition.

There is no denying that the directive issued in 2006 by Maxime Bernier, Industry Minister at the time, had the effect of putting a halt to whatever efforts the CRTC was making to intervene. The directive prohibited the Commission from intervening unless absolutely necessary and gave it strict instructions to allow market forces free rein in order to achieve the various objectives of the Telecommunications Act.

The various interventions by the Union des Consommateurs and PIAC (Public Interest Advocacy Centre) with the CRTC raised the question of the contradictions faced by a CRTC muzzled by such a directive and the perverse effects of a wide-open market on a sector that expected to provide Canadian consumers with a number of essential services.

## **Recommendations**

The Canadian Consumer Initiative recommends :

- that the federal government formally recognize telephone services and Internet access as being essential services;
- that the 2006 directive issued by Cabinet be withdrawn;
- that a broad consultation process be undertaken to identify consumers' needs in the area of telecommunications, and that consumers' rights advocacy groups, among others, be invited to participate in it;
- that the CRTC's full and necessary powers be recognized, enabling it to ensure adherence to the objectives of the Telecommunications Act, which take into account consumers' needs, including:
  - a) fostering the orderly development of telecommunications everywhere in Canada to create a system that will contribute to the maintenance, enrichment and strengthening of the social and economic structure of Canada and its regions;
  - b) making effective the right of universal access to telecommunications services that will guarantee access to reliable, affordable and high-quality telecommunications services for Canadians in all areas, urban and rural;
  - c) increasing the effectiveness of competition in Canadian telecommunications at the national and international levels;
- that an advisory committee be created, with a mandate to develop a series of measures, based on identified foreign models, aimed at guaranteeing economic accessibility to all telecommunications services for low-income households, with consumers' associations invited to participate in the advisory committee;
- that the federal government and the CRTC ensure that the Commissioner for complaints in telecommunications services impose strict rules on service providers regarding customer service and information to be provided to consumers;

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