REGULATORY AND POLICY DEVELOPMENTS

THE REGULATION OF FINANCIAL INSTITUTIONS: THE NEW ERA IN BRITISH COLUMBIA

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British Columbia has now joined the ranks of governments in Canada that have set about the process of "regulating" the financial services industry. In October last, the provincial government released its "Major Policy Proposals" for the regulation of financial institutions, promising a bill to implement the proposals in the spring of 1989.

The British Columbia initiatives will generally follow some of those taken or promised elsewhere—at the federal level, and in Québec, Ontario and New Brunswick. What distinguishes the British Columbia approach is the intention to consolidate the provincial insurance, trust company and credit union acts into a single enactment, to be called the *Financial Institutions Act*. The purpose is to develop greater consistency in the treatment of these various institutions which are becoming more competitive with one another in the financial marketplace. As in Ottawa and Québec City, the ultimate regulatory responsibility for the different types of institutions will be centralized in a single government office or agency.

The proposals reject the much criticized "equals approach" that was pioneered by Ontario in its new *Loan and Trust Corporations Act*. Thus, while extra-provincial financial institutions of the kind regulated by the new *Act* will have to register in order to do business in the province, they will not normally be subject to any local rules about corporate governance, investment powers, lending authority and self-dealing. Those rules will apply only to entities that are incorporated in the province or in a jurisdiction found to have inadequate regulatory procedures of its own.

The British Columbia government is evidently uncomfortable, as well, with the announced— but now somewhat equivocal— federal policy that would limit ownership of financial institutions by commercial interests and by a single shareholder. No such restrictions will apply in respect of institutions incorporated in British Columbia. The province also plans to leave its financial institutions open to acquisitions by foreign owners.

This does not mean that the regulators will be unconcerned about who owns a financial institution. In fact, owners of new institutions will be vetted as will those who acquire more than a ten percent interest in an established institution. In the second situation, some tolerance will be permitted through what is graphically described as a "flutter rule," allowing some fluctuation on either side of an existing ownership level that is at or above the ten percent threshold.

This ownership regime will not, of course, affect credit unions as they are cooperative organizations that are "owned" by the member-depositors. However, the notion of equity ownership may be a feature of the credit union of the future. The proposals expand on an unusual enabling provision which already allows a British Columbia credit union to issue a class of equity shares to its member. A second class of such shares, for issue to non-members, would be permitted as a further means of building an appropriate capital base. Whether there is a market for this type of investment remains to be seen; member equity shares have certainly not been best sellers.

Provincially incorporated financial institutions of all three varieties— insurance companies, trust companies and credit unions— will be subject to stricter rules concerning:

- corporate governance through expanded responsibilities of directors and officers;
- accountability of the institution's auditors, who will be responsible in many respects to

the regulators, as well as to the shareholders or members, and;

- transactions with parties who are related in some way to the institutions, by subjecting those transactions to scrutiny by the board of directors.

These changes will generally parallel developments in several other Canadian jurisdictions. The system for handling related party transactions, however, promises to be less burdensome and more flexible than that adopted in the new *Ontario Loan and Trust Corporations Act*, which proceeds from a starting point of an outright ban on such transactions.

The process of re-regulation will have some elements of de-regulation in that British Columbia's financial institutions will be relieved of some of the restrictions under which they currently operate. In particular, they will have wider powers to engage in different financial service activities, although the insurance business will be clearly reserved to insurance companies, and many investment and lending limitations will be lifted in favour of a general direction that every portfolio of loans or investments be of a kind that a prudent person would maintain and be in accord with policies established ahead of time by the board of directors. Once again, these initiatives are in line with those being pursued in other parts of the country.

While the "major policy proposals" are generally consistent with the thrust of reform elsewhere, the proof will be in the pudding, that is the *Financial Institutions Act*, which has yet to be exposed to public view. Several of the disparities with the rules that are emerging in other Canadian jurisdictions are not likely to cause serious inconvenience if British Columbia sticks to its rejection of the "equals approach." That approach invites problems for trust and insurance companies, which tend to operate on a national basis, when laws are not harmonized and embody requirements that are inconsistent with those of other Canadian jurisdictions.

NATIONAL TRANSPORTATION AGENCY CLARIFIES COMPETITIVE LINE RATE ISSUES

By: John F. Blakney
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In a decision dating from September, 1988, resolving a Competitive Line Rate (CLR) application by Alberta Gas Chemicals Limited (AGCL), the National Transportation Agency has clarified a number of statutory interpretation issues affecting the scope and availability of the CLR remedy.

The *National Transportation Act, 1987*, introduced National Transportation Agency determination of CLR's as one measure to increase the bargaining power of shippers who are dependent on one railway company for a portion of a given rail movement. A shipper is now entitled to ask the railway to establish a CLR for moving goods to a competing carrier's line. If the parties cannot agree the shipper may ask the Agency to set a rate according to legislative guidelines. The CLR normally applies from the point of origin or destination to the nearest connection with a competing carrier. The shipper must, however establish that it has an agreement with the competing carrier to ship the goods to the destination before requesting a CLR from a local carrier. If the Agency establishes a CLR, the rate will be based on a regulated interswitching rate for exchanges of the traffic between the two railways and competitive line haul rates from the interswitching distance limit to the competing carrier's connection.

In July, 1988, AGCL applied to the agency for a CLR for the movement of methanol from Medicine Hat, Alberta to Coutts, Alberta. The traffic would move in tank cars on a continuous routing selected by AGCL via Canadian Pacific (CP) from Medicine Hat to the Coutts, Alberta/Sweetgrass, Montana interchange between CP and Burlington Northern and then via Burlington Northern to Shelby, Montana.

The Agency's decision issued on September 22, 1988 (Reasons for Order No. 1988-R-798, File No. D2970-A1) notes that Agency establishment of a CLR is a two stage procedure: first determination of whether the movement of traffic

is one for which the Agency has authority to establish a CLR and whether the shipper has complied with the requirements of the *Act*, and, second, calculation of the amount of the CLR using a method authorized in the legislation. If a movement is eligible for a CLR the Agency must establish a CLR within 45 days of the receipt of the shipper's application.

The decision notes that the principal conditions for a CLR are:

1. The shipper must have access to the lines of only one railway company at the point of origin or the point of destination of the traffic.
2. The point of origin and point of destination must be connected by a continuous route operated by two or more companies.
3. The shipper designates the continuous route for the movement of traffic from the point of origin to the point of destination.
4. The shipper must reach agreement with all connecting carriers for the movement of traffic over that portion of the continuous route for which the CLR will not apply.
5. No other CLR is applicable to the movement over the continuous route.

Once the Agency has confirmed that it can establish a CLR it calculates the CLR by adding to the established interswitching rate a "taxi" charge for transportation between the shipper's siding and the interchange with the connecting carrier less the 25 mile interswitching distance. If the connecting carrier's rate is a published tariff rate, that rate is converted to a rate per mile and applied to the CLR mileage. If the connecting carrier's rate is a confidential contract rate the local carrier's revenue for a movement of similar traffic from a competitive point under similar conditions is converted to revenue per mile and applied to the CLR mileage. If the connecting carrier has no comparable rate from a competitive point, the connecting carrier's revenue from all similar traffic is converted to revenue per mile and applied to the CLR mileage. In the event that it is not possible to determine the amount of the CLR using any of these three methods the Agency has discretion to establish an alternative method.

CP's answer to the AGCL raised several questions which the Agency considered prior to establishing a CLR.

The Agency's principal conclusions dealing with CP's arguments were as follows:

1. U.S. carriers are not excluded from being connecting carriers. The *Act* in fact contemplates that a continuous route, to which a CLR may apply, can go through the United States back into Canada. Moreover, since the participation of a connecting carrier must be voluntary there would appear to be no reason to exclude U.S. carriers from the continuous route.
2. There should be a distinction between the point of destination to which the CLR is calculated and the ultimate destination of the shipment. If the ultimate point of destination is within Canada the shipper does not have unrestricted freedom to select a continuous route through the United States under the *Act*. However, the *Act* contemplates that a shipper can consign a shipment to a particular point in the United States with a new Bill of Lading to be issued for shipments beyond that point. In the circumstances the Agency found nothing wrong with the applicant designating Shelby, Montana, as the destination for CLR purposes even though the methanol would move to other points in the United States from Shelby under a separate Bill of Ladings as long as the Agency was satisfied that the ultimate destination for these shipments would never be Canada.

If the connecting carriers rate is not published pursuant to the *NTA, 1987* (i.e. that it is a rate established in a foreign jurisdiction, the U.S.A.), the Agency is not bound to the use of this rate in calculating the CLR. In this case the Agency concluded that there are significant differences between the Canadian and U.S. economic climates for rail transport and that an appropriate indicator of these differences is the relative value of the countries' currencies. Accordingly, if the calculation of the CLR were to be made on the basis of published U.S. freight rates, the rate ought to be adjusted to the application of the currency exchange factor. However, since the *Act* makes no provision for such an adjustment for U.S. connecting tariff carriers, the Agency elected to establish an alternative rate for determining the CLR. The method selected parallels the

methodology provided for in a case of published connecting carrier tariff rates with the exception that the Burlington Northern published tariff rate is converted to a Canadian dollar equivalent by the use of the currency exchange factor.

This decision confirms that shippers have considerable freedom to arrange with connecting carriers a CLR destination point which needs to be the ultimate destination but which minimizes the connecting carrier's total mileage charges between the intercharge point at which the local carrier gives up the traffic and the (various) points to which the traffic is ultimately destined.

Since the connecting carrier may be a U.S. carrier for shipments destined to the United States and since Canadian shippers by virtue of this decision can rely on the American carrier's charges with a currency adjustment as a basis for calculating the CLR for the Canadian carrier's portion of the transportation service, the effect of the decision is to create strong indirect pressure for Canadian carriers to offer captive Canadian exporters (which would otherwise resort to a CLR application) confidential contract rates which are close to the currency adjusted mileage charge obtainable by the exporter from U.S. rail companies for the balance of the transportation service.

NATIONAL TRANSPORTATION AGENCY CONDUCTS VIA RAIL RATE INQUIRY

In a letter to the Chairman of the National Transportation Agency dated January 4, 1989, the Federal Minister of Transport, Benoit Bouchard, followed up on the Agency's recommendation that an Inquiry pursuant to section 31 of the *National Transportation Act, 1987* be established into Via Rail's pricing policy (see December 1988, *CCPR* for discussion of the Agency's report and recommendations).

The Minister indicated that he had taken note of the Agency's concern that the Voyageur Colonial appeals covered in the Agency's report represented only the most recent in a series of passenger rate appeals by Voyageur and other bus companies in recent years. The Minister noted that the common denominator in these grievances was the perception that VIA's pricing policies and the resulting fares were obstacles to fair competition between rail and bus loads.

The Minister in making his reference to the Agency, adopted the proposed terms of reference included in its report. A draft report of the Agency's findings and preliminary recommendations is to be submitted to the Minister in early April following a series of meetings between the Agency and the bus industry, VIA Rail and other interested persons. The general purpose of the inquiry is to make an assessment of VIA's pricing policy and its impact on the competition for ridership between the modes. VIA has been directed to consider among other things its pricing methodology (the extent of their application and conformity with accepted industry practices), price elasticity of VIA services, competitive strategies, ridership trends, marketing strategies, promotional strategies, and, finally, public interest matters including the effect of VIA's fares on the applicable subsidies from the government, the maintenance of fair competition, competitors' ability to maintain service on their main and subsidiary routes.

The Agency will be examining VIA's current pricing policies, and will be including the Newfoundland Road Cruiser services in its bus industry analysis.

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A CHANGING WORLD FOR CABLE TELEVISION SUBSCRIBERS: MORE SERVICES, FEWER OPTIONS

By: Andrée Wylie
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From the earliest days of television in Canada, widespread quality reception of a variety of programming services has depended on cable distribution. Ironically, cable distribution was necessitated at the same time by the need to reach a population of some 25 million thinly spread over a vast and varied geographic territory and by the limitations inherent in the spectrum delivery of signals in areas where intense urbanization and

high-rise development generate problems for off-air reception.

The cabling of Canada was also spurred by the expectations in all regions of the country that the American signals readily available off-air to those Canadians living near the Canada-U.S. border would be extended north through cable retransmission.

In short, cable distribution's role in Canada has been, historically, to make available to as many Canadians as possible the full panoply of services available over-the-air to some Canadians. In 1989, some 68% of Canadian television households receive cable service; in some areas, cable penetration exceeds 80%.

Cable retransmission of broadcast signals was regulated from its inception, both with respect to the services authorized for distribution and with respect to the rates charged to subscribers. Regulation was viewed as necessary, in part because of the far-reaching role of cable distribution as an adjunct of broadcasting transmission, and because cable franchises have been granted by the Canadian Radio-television and Telecommunications Commission (CRTC) on a monopoly basis for geographic areas. Until 1982, each cable licensee was authorized to charge subscribers only an installation fee and a maximum monthly fee established by the CRTC for that licensee's services. Each cable subscriber received for the monthly fee set for the cable system serving the territory in which he lived the full range of services authorized for distribution by that cable system. Any increase in the installation fee or in the monthly cable fee required an application to the Commission, a public process that often included a public hearing and specific regulatory authorization.

Beginning in 1982, the CRTC ushered in a new era in cable television. In March, 1982, the first satellite-delivered television services were licensed for cable distribution on a discretionary or user-pay basis. In the next few years, a number of pay television and narrowcast or specialty television services appealing to particular interests or responding to particular programming needs were licensed by the Commission. The specialty services licensed included a sports service, a music service, a health and lifestyle service and services in languages other than English or French. Unlike over-the-air services, general interest pay television and specialty services were intended to rely on subscriber fees for their revenues. They were generally precluded from distributing advertising content.

The regime established for the distribution of satellite-to-cable programming services allowed a wholesale price to be negotiated between a cable licensee and a pay television or specialty service licensee. Any or all such programming services could then be provided to any subscriber to cable television service willing to pay the regulated monthly cable access fee and an additional monthly sum for each pay television or specialty service received.

Market penetration by pay and specialty television programming services, generally known as discretionary services, was slow to develop. A number of services faltered, others merged. Some licensees requested and obtained authorization to distribute advertising to supplement their subscriber revenue base.

In 1987, the CRTC licensed for cable distribution additional specialty services, both in English and in French. They included a youth channel, a religious channel, an all-news channel and a weather channel. More importantly, the Commission changed its regulatory approach to the distribution of specialty services. Each new specialty service remained optional to each cable operator but became mandatory for a regulated monthly charge added to the monthly cable access fee for any cable subscriber living in a franchise where the cable licensee had opted to distribute the service. In other words, in English Canada, all specialty services were to be distributed at the option of each cable licensee. However, once a cable licensee had elected for the distribution of a certain specialty service, that service was to be distributed to each cable subscriber in the cable franchise as part of the basic package of services supplied. The basic cable access fee could be increased by an amount representing the regulated wholesale price paid by the cable licensee to the programming service provider and a regulated mark-up for the benefit of the cable licensee.

Moreover, the rules governing the distribution in English Canada of the existing sports channel and music channel were changed in 1987. Those services were henceforth to be distributed as part

of the basic package of services received for the monthly access charge unless the licensees of such services consented in writing to their distribution on a discretionary basis.

In French Canada, for a period of three years from the licensing of the new specialty services, once a cable licensee chooses to distribute any French-language specialty service, all such licensed services have to be distributed to all subscribers in the cable franchise. The basic cable access fee can be automatically increased accordingly.

The Commission's 1987 specialty services distribution policy has resulted in a substantial increase in cable access fees. Subscribers are paying for programming services they may not approve of, have any need for, or even desire. In addition, in recent years in many areas, cable subscribers have been absorbing the fee increases occasioned by the capital outlays required to upgrade the technical quality of the cable plant, to expand channel capacity and to acquire the equipment necessary to distribute the increasing number of specialty services available. Concurrently, cable subscribers have experienced further rate increases in the form of increased taxes levied on the delivery of cable service.

An ever-increasing number of services but diminishing options are in the offing for cable subscribers. The CBC all-news channel will be added to the list of specialty services distributed as part of the basic cable service in the fall of 1989. An application for yet another specialty channel for basic distribution, a public affairs channel, will be heard by the Commission shortly. As contracts for the discretionary distribution of the sports and music channels expire, those services are added to the cable access package in cable franchises. Why would the sports channel, for example, not elect basic distribution where its market penetration on a discretionary market is less than 10%? Even with a regulated fee, instant penetration of each cable household can yield revenues far in excess of those which may be generated by discretionary distribution. Moreover, the effort and expense required for promotion and marketing, the vagaries of connection and disconnection of discretionary services and accountability to cable subscribers for the relevance and the quality of a given programming service can be avoided when the service is distributed as part of the basic cable service.

In addition to fee increases for the reception of unsolicited narrowcast services, the cable subscriber will likely soon experience further rate increases as full implementation of the *Canada-U.S. Free Trade Agreement* responds at last to the long-standing demands by American television program rightsholders for compensation for the cable retransmission of their programs in Canada beyond the areas where they are received off-air. The Canadian government has made a commitment to amend its copyright legislation by January 1, 1990, to provide for copyright payments for such retransmission. The cost will inevitably be passed on to the cable subscriber.

While the cost of cable access has been escalating, the Commission has relaxed the economic regulation of cable systems by allowing, since 1986, automatic annual increases in cable access fees based on a percentage of the annual increase in the Consumer Price Index and by facilitating the recovery of capital expenditures for cable plant improvements. Some parties maintain that this new regulatory approach has led to unjustified rates of return for some cable operators.

The Commission's rationale for authorizing the distribution of narrowcast services as part of the package of services available for a basic cable access fee was informed largely by the desire to ensure the availability in Canada of a variety of Canadian services. The financial viability of such services would of course be greatly enhanced, if not assured, by access to the entire universe of cable homes.

As for the cable subscriber, it could be argued, he can disconnect his television set from cable service and rely on over-the-air reception and on his video cassette recorder for broadcast information and home entertainment if he feels that he is not receiving value for his cable dollar or if he objects to paying for the reception of programming services intended to serve narrowcast needs which he does not share. The cable subscriber, it could be argued, is not a captive consumer.

Not so will argue some consumer advocates. In a country where some urban centres do not permit interference-free over-the-air reception of

basic advertiser-supported television services, where jungles of roof top antennae are not desirable or are prohibited and where some more remote areas are restricted by geography and sparse population to the reception of a limited number of programming services, cable service, they argue, is indeed not optional. For that reason, they maintain, services intended for narrowcast interests should not be included in the basic package of services provided by cable franchises licensed on a monopoly basis.

LONG DISTANCE COMPETITION REPORT RELEASED

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In December, 1988, the Department of Communications released a report of the Federal Provincial Task Force charged with examining factors that would be related to the introduction of competition in public long distance telephone service in Canada. The report was requested by federal/provincial and territorial communication ministers following their April, 1987, meeting at which the ministers considered possible federal/provincial agreements with respect to jurisdiction sharing and competition policy in telecommunication services. The Task Force was comprised of representatives from the CRTC and telecommunications regulatory bodies or governments of all provinces and territories and was chaired by then CRTC Vice-Chairman Lewis R. (Bud) Sherman.

The Task Force concluded that Canadian telephone companies have kept pace with international technological developments and have built one of the most functionally efficient telecommunication networks in the world. The key question to the Task Force therefore was whether competition or continued monopoly over long distance services (principally message toll and WATS services) would best foster future technical and service innovation and result in improved rates to the public in general.

Consulting reports commissioned by the Task Force on the U.S. experience suggested that competition in long distance services had resulted in significantly increased pricing innovation and that the result had been to create a range of private line and switched network services paralleling customers' requirements. On the other hand, competition had introduced some confusion and complexity for users, at least over the transitional period, particularly with respect to billing arrangements and various responsibilities. However, with the movement to providing AT&T and its competitors with equal local exchange access subsequent to the 1984 ATT divestiture, customer qualities service concerns have abated. Also with the elimination of unequal access rate differentials between 1984 and 1986, ATT and other U.S. long distance carriers have been forced to compete on the basis of service and price differentiation as opposed to pure price level.

With respect to the difficult question of whether the provision of long distance services involves economies of scale and scope that would justify preservation of a monopoly on efficiency grounds, the Task Force found convincing engineering information which suggested the existence of significant economies of scale in the long distance transmission network. However, the Task Force observed that these efficiencies were limited to a portion of telecommunication carrier costs. Moreover, the Task Force considered that other information such as financial statement analysis and econometric studies was inconclusive with respect to both scale and scope economies. This information did not address all factors relevant to the "natural monopoly" issue such as the impact of competition on network utilization and technological change. Consequently, the Task Force concluded that available information is insufficient to resolve the question of whether the Canadian long distance telephone market constitutes a natural monopoly for public policy purposes.

The Task Force also examined the question of whether long distance competition has had a causal impact on telecommunications industry productivity. Economic theory suggests that, other things being equal, individual firms should be more efficient in a competitive as opposed to a

regulated environment. However, the Task Force was unable to find any conclusive empirical evidence to support this conclusion within the time frame over which effective competition has existed in the United States.

The Task Force found that a significant additional cost occasioned by long distance competition would be capital expenditures within local exchanges to provide equal access to long distance service suppliers. The Task Force found that network modification costs would be zero if alternative service suppliers would use rudimentary "line side" form of interconnection employed in the U.S. when competition first emerged. Line side interconnection requires the user to dial in a lengthy signalling sequence in order to access both the local carrier's switch and the long distance supplier's switches. The Task Force estimated that, with improved interconnection that creates transparency between the established carrier and its competitors with respect to dialing sequences, total industry costs of network modification would range from approximately $1 million to $213 million depending on the form of access and the number of local exchange areas where competitors' services would become available. The Task Force calculated that the total modification costs for provision of equal access would range from approximately $98 million for local exchange areas with 100,000 or more lines to approximately $209 million for all local exchange areas in Canada. Finally, the ongoing costs of carrier access would be approximately $0.02 per minute at both the originating and terminating ends of the long distance call except in the case of equal access where an additional cost would be introduced associated with the administrative requirements for determining subscribers' carriers of first choice.

A critical factor in assessing the impact of competition in the event that it results in reduced prices and in assessing the overall market available to the established carriers and to new entrants is the price of elasticity of demand for long distance services. The Task Force accepted the results of a consultant's study which indicate that both message toll service and WATS are price inelastic both within individual Canadian telephone companies and on a transCanada basis. Only certain long haul transborder and international MTS services were found to be price elastic by the Task Force. Consequently, the Task Force concluded that the total revenue impact of reduced rates would be negative; consumers would enjoy lower rates but long distance services in total would generate lower revenues.

Finally, the Task Force examined three broad competition models in terms of the effect on universal availability of a portable telephone service, potential new entrants and the development of competition in the Canadian marketplace. These models are:

- an unregulated competitive market;
- a fully regulated market;
- an intermediate model involving regulation of only the dominant carriers (as has existed *defacto* in the United States for some time).

Under any of these competition models, the Task Force found that new facilities-based carriers would require, at least over the start up period, a price advantage relative to the incumbent telephone companies to allow them to enter the long distance market and to survive. The Task Force concluded that no combination of service features or other non-price benefits would enable facilities-based carriers to compete without a price advantage. Finally, in the Task Force's view, price reductions of at least 10% would be required, based on subscriber expectations, in order to facilitate new facilities-based entry over the start up period. Accordingly, Canadian regulators would be required to provide a significant access contribution discount to new entrants.

At a 20% competitor market share, the Task Force found that the incremental costs of the competitor and the established telephone companies would be approximately the same and that the competitor would be in a position to make a larger contribution payment than initially, even while maintaining the same price discount. A contribution discount would still however be required so long as a price discount was maintained by the competitor.

The findings of the *Task Force Report* are consistent with those of the CRTC in its 1985 decision rejecting the CNCP Telecommunications bid to become a long distance service competitor in connection with Bell Canada's/BC Tel's local exchanges. Both the *Task Force Report* and the CRTC have concluded that some form of market

share management either through differential local access charges or through controlling the spread between the rates of the dominant carrier and new entrants would be required for a period of at least several years in order to give a new entrant a foothold in the Canadian market place. Such regulatory action would not be unlike that which had occurred in the United States over the period 1977 to 1986 during which period alternative long distance carriers such as MCI and US Sprint were establishing themselves as permanent players in the market.

It remains unclear whether Canadian telecommunication regulators unlike their American counterparts are prepared to adopt policies which effectively favour new entrants in the short run even if the new entrant can establish that general economic benefits flow from long distance competition in the long run. The problem is made more difficult in Canada because no system of local network access charges has yet been developed and because simulations that have been performed on the impact on rates in various provinces from long distance competition and rate rebalancing generally disclose higher local rate increases being caused by both rate rebalancing and long distance competition in the less advantaged provinces outside central Canada. On the other hand, new long distance entrants are likely to concentrate their efforts, at least initially, on the high volume Central Canada and transborder markets.

The results of the *Task Force Report* will place a heavy onus on CNCP Telecommunications to provide convincing new evidence of superior efficiency and of general benefits from competition in the event that it follows through on its promise to bring forward to the CRTC a new application for entry as a long distance service competitor later this year.

CRTC CHAIRMAN RESIGNS

Citing personal reasons and accomplishment of his own regulatory agenda Andre Bureau resigned as Chairman of the CRTC effective February 28, 1989. Mr. Bureau had held the position of the Chairman of the CRTC since late 1984.

On March 1, 1989, the Commission appointed Lewis R. (Bud) Sherman to be acting Chairman of the CRTC pursuant to the provisions of the *CRTC Act* that allow the Commission to authorize one Vice-Chairman to act as Chairman should the office of Chairman be vacant.

Mr. Sherman was appointed a full time member of the CRTC in April, 1985 and became Vice-Chairman (Telecommunications) on September 1, 1987. He is Chairman of the CRTC's Tariff Committee, the standing committee on telecommunication matters of the Commission. In 1987-1988 he chaired the federal provincial task force examining long distance service competition in Canada.

Mr. Sherman was born in Québec City and raised in Western Canada. He graduated from the University of Manitoba with a B.A. in 1949. He has been involved in journalism, broadcasting and politics. In 1960, he was appointed Director of News and Public Affairs for Winnipeg television station CJAY.

From 1965 to 1968 he was a federal Minister of Parliament and served on the standing committees on Broadcasting and Transportation. In June, 1969, he began a 15-year career in the Manitoba Legislature, where he held various portfolios including those of Minister of Health, and Minister of Community Services and Corrections.

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