Fast FACTS
CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

there is an alternative.

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The price of privatization at MTS: higher prices, fewer jobs

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Manitoba Hydro Chief Executive Office Jay Grewal said this fall that in the future the Crown Corporation may cease to have a monopoly on the distribution of electrical power. This revived public concerns that the provincial government was considering privatizing Hydro.

While Manitoba Hydro publicists were quick to assure people that nothing could be further from the truth, there is no avoiding the fact that: few things please the current government more than the selling off of public assets: witness the ongoing privatization of public housing.

The recent revelation that the government has instructed Manitoba Hydro International (the arm of the corporation involved in international consulting) and Manitoba Hydro Telecom (which provides broadband services in rural and northern Manitoba) to stop pursuing new and existing projects suggests that the government is considering hiving off and disposing of portions of the corporation. In the case of Manitoba Hydro Telecom, it appears the government may be getting ready to turn its northern and rural broadband network over to Bell MTS.

Manitobans with long memories will recall that Manitoba once owned MTS (which was then called the Manitoba Telephone System). They will also recall that in the 1995 election campaign Conservative Premier Gary Filmon assured Manitobans that nothing could be further from the truth than the rumours that his government was thinking of selling MTS.

The following year his government pushed through legislation that led to the privatization of MTS in 1997 at a price that the Canadian Radio Television-Telecommunications Commission estimated was less than its market value. This meant that investors stood to make a tidy profit on their purchase—made even tidier by the fact that the government provided interest-free loans to purchasers and guaranteed them a six per cent dividend on their investment. And while MTS's senior managers were treated to significant pay increases, the company's employees had to fight a 17-year court battle to regain the full benefit of their pension plan. In the workplace increases in the pace of work and layoffs were the order of the day. Profits and jobs were shipped out of province. Comparisons with Sasktel, the last provincially owned telecommunications company in the country, regularly showed that privatization had led to higher service costs and reduced benefits to Manitobans.

But, apparently things could get worse. As a provincially based corporation the privatized MTS competed with Bell, TELUS and Rogers for a share of the telecommunication market, the presence of MTS exerted a downward force on

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prices. In markets where Bell, TELUS and Rogers faced no regional competitor, prices were higher and less competitive. Go figure.

The big boys would not tolerate such a situation and in 2016, Bell announced that it wanted to buy MTS. The Canadian Media Concentration Research Project raised warning flags about the takeover. In a report, Benjamin Klass and Dwayne Winseck noted that, when compared to Bell, MTS invested more of its capital in its networks (meaning it provided better service) and that most MTS operations "compare either favourably with or are performing better than anything Bell offers throughout its own territories." They cautioned that allowing the takeover "would result in increased prices above the competitive levels that currently prevail."

The federal Competition Canada came to similar conclusions. Its 2017 report on the proposed takeover observed that:

> as a result of coordinated behaviour among Bell, TELUS and Rogers, mobile wireless prices in Canada are higher in regions where Bell, TELUS and Rogers do not face competition from a strong regional competitor. Conversely, the Bureau concluded that where Bell, TELUS and Rogers face competition from a strong regional competitor, prices are substantially lower.

Despite this, the federal government let Bell buy MTS. The strong regional competitor is gone, and surprise, surprise, Manitoba telecommunication costs have risen. Bell MTS's basic phone services cost $32.56 a month, Sasktel's $21.54 a month. Bell MTS's basic internet price is $90.95 a month, Sasktel's is $69.95. Bell MTS charges $70 a month for basic internet, Sasktel charges $65.

Klass and Winseck also warned that the sale of MTS to Bell would jeopardize "unique and innovative options that people value greatly, notably unlimited mobile data." At the time of the sale only MTS and SaskTel offered unlimited mobile data. A year after taking over MTS, Bell cancelled the service for new customers.

Bell-MTS has continued to shed jobs. When Bell bought the MTS, 623 members worked there: the figure is down to 490. The number of Unifor members employed at the company has fallen from 850 to 660. The Telecommunications Employees Association of Manitoba has also reported job losses since Bell took over. These declines are due to numerous factors, including technological change and the sale of subsidiaries. But also, the company has sought to increase the use of non-union contractors and shipped jobs out of Manitoba and in some cases out of the country.

So, nearly a quarter century into privatization, what was once a provincially controlled telecommunications system is now owned by an Eastern Canadian corporation, which alongside two other large corporations are raising rates and cutting service. The fact that the corporation is referred to as Bell MTS should not fool anyone: the "MTS" is little more than the left-over bit of jam that adheres to the plutocrat's lips after a satisfying chowdown. In other words, it is branding and nothing more.

History rarely repeats itself exactly, but it often rhymes. Given this history, Manitobans would be well advised to ask themselves if the provincial government is not preparing to take Manitoba Hydro to market.

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References available upon request.

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