A Tale of Two Telcos

Manitoba and Saskatchewan provide a unique laboratory setting for comparing the outcomes of two divergent policy models. Both provinces had crown-owned telephone companies until Manitoba exited the business with a broad-based share offering that privatized the Manitoba Telephone Services (MTS) in 1996. What since for MTS and SaskTel - similar firms operating in similar sized markets?

During the last 11 years, the world of telecommunications has evolved rapidly with mobile phones and broadband internet – rare products in 1996- becoming nearly ubiquitous in the market. Digital television has also emerged as a significant revenue stream for telecommunication companies. Given these changes, the best way to evaluate MTS' performance is comparison to another very similar company in a very similar marketplace. MTS and SaskTel were very similar in terms of size and operation in 1998 but, as this Frontier Charticle shows, there are now significant differences.

A decade on from the Manitoba government’s share offering and exit from the telephone business -

- MTS earns twice the revenue of SaskTel.
- MTS has 3 times the assets.
- MTS is more profitable, on the basis of revenue, assets and equity.
- MTS has 20% more jobs.

Same Deal for Consumers

A comprehensive Frontier Centre comparison between MTS and SaskTel prices found no appreciable differences have arisen in the past decade. This is unsurprising in a marketplace with many competitors that is externally regulated by the CRTC.

Taxpayer Risk

It is also worth noting that with private ownership of MTS, Manitobans no longer see their provincial government loaning money to a telecom company or face any other liabilities in this fast paced industry.

Contribution to Tax Base

As a Crown Corporation, SaskTel is not liable to pay provincial or federal income taxes. In 2006 MTS faced an income tax liability of $126.7m

More Jobs, More Assets, More Revenues

Changing the ownership of MTS has been a major success. Compared to crown-owned SaskTel, the shift to the share ownership model has allowed MTS to become a significantly larger and more profitable company selling twice as many services.

Source: MTS and SaskTel 1998 & 2006 Annual reports. 1998 Data is earliest available for both companies.