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Ms. Francoise Bertrand
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Ottawa, ON K1A 0N2

January 12th, 2000

Dear Mr. Mel Cappe AND Ms. Francoise Bertrand

Re: Telecom Decision CRTC 99-16 97-42
Dated: Ottawa, 19 October 1999
Topic: TELEPHONE SERVICE TO HIGH-COST SERVING AREAS
File No.: 8665-C12-04/97

I am writing to you on behalf of the Boards of Education in the Province of Saskatchewan, who provide public education to approximately 190,000 students between the ages of 5 and 21. We are, pursuant to Section 12 of the Telecommunications Act, petitioning the Governor in Council to revise the above-cited decision of the Canadian Radio-television and Telecommunications Commission. Specifically, we are requesting that the Decision be revised to establish a "Universal Service Fund" that will ensure that Internet access to schools in rural, remote or northern areas of Saskatchewan is not lost due to dramatic and prohibitive cost increases. I have attached a copy of the resolution (Appendix A) of the Executive of the Saskatchewan School Trustees Association. You will note from the attached submission that the Canadian School Boards Association by resolution (Appendix B) is supporting this position and consequently we are not requesting anything for Saskatchewan's school children that we do not desire for all school children in rural or remote or northern portions of the rest of Canada.

It is our understanding that our petition is considered pursuant to Section 12 of the Telecommunications Act, which reads, in part, as follows:

- 12(1) Within one year after a decision by the Commission, the Governor in Council may, on petition in writing presented to the Governor in Council within ninety days after the decision, or on the Governor in Council's own motion, by order, vary or rescind the decision or refer it back to the Commission for reconsideration of all or a portion of it.
- (2) A person who presents a petition to the Governor in Council shall, at the same time, send a copy of the petition to the Commission.

It is our understanding that the Canadian Radio-Television and Telecommunications Commission (CRTC) is established to achieve the objectives that are set out in the Telecommunications Act and more specifically section 7 which reads as follows:

7. It is hereby affirmed that telecommunications performs an essential role in the maintenance of Canada's identity and sovereignty and that the Canadian telecommunications policy has as its objectives
 - (a) to facilitate the orderly development throughout Canada of a telecommunications system that serves to safeguard, enrich and strengthen the social and economic fabric of Canada and its regions;
 - (b) to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada;
 - (c) to enhance the efficiency and competitiveness, at the national and international levels, of Canadian telecommunications;
 - (d) to promote the ownership and control of Canadian carriers by Canadians;
 - (e) to promote the use of Canadian transmission facilities for telecommunications within Canada and between Canada and points outside Canada;
 - (f) to foster increased reliance on market forces for the provision of telecommunications services and to ensure that regulation, where required, is efficient and effective;
 - (g) to stimulate research and development in Canada in the field of telecommunications and to encourage innovation in the provision of telecommunications services;
 - (h) to respond to the economic and social requirements of users of telecommunications services; and
 - (i) to contribute to the protection of the privacy of persons.

The CRTC decision cited above recognizes the traditional Canadian values of using the advantages of size or wealth to ensure that all Canadians can have equitable opportunities regardless of their relative disadvantages. Unfortunately, the CRTC assumption that only the northern territories warrant cross subsidization or benefit of a "Universal Service Fund" reflects a misunderstanding of the impact of the CRTC decision on rural and northern Saskatchewan.

The attached charts (Appendices C and D) demonstrate the sparsity of Saskatchewan population. Appendix C demonstrates the number of subscribers per mile of telephone infrastructure and Appendix D demonstrates the percentage of the population that can be described as remote. We have assembled a number of the arguments presented during the hearings on this matter which we believe lead to another conclusion than the one arrived at by the majority of the Canadian Radio-television and Telecommunications Commission.

We have organized these comments in a manner, which we trust will allow the Governor in Council to consider our concerns and arrive at a different conclusion than that stated in the CRTC decision.

In addition we have provided certain information or commentary that further reflects the concerns and circumstances of our members and again we trust that these will be taken into consideration in the review that we understand will occur as a result of our petition.

Thank you for your consideration of our submission and look forward to the outcome of this process of review and reconsideration.

Yours sincerely,

Gary Shaddock
President

cc. Saskatchewan Members of Parliament
Hon. Jack Hilson, Minister of Intergovernmental and Aboriginal Affairs
Hon. Jim Melenchuk, Minister of Education

ADVOCATES/ARGUMENTS FOR THE INTERNET IN THE
CLASSROOM

The Right Honourable Jean Chretien, Prime Minister of Canada spoke to the Federation of Canadian Municipalities Annual Meeting in Regina on June 8th, 1998 and made the following observations about Canada's future:

Today, I want to talk to you about a different kind of infrastructure project. One for the 21st century. As vital and important as roads and bridges and buildings. A project that will help complete our transition to the new economy. It is called "Connecting Canadians." And it is about ensuring Canada stays in the fast lane on the new information highway.

So that Canadian businesses can compete better in the new century;
So that Canadians – from the remotest village to the biggest city – have equal access to the information and training they need for life long learning;
So that Canadians have better access to government services;
So that Canada remains a world leader in technology; and
So that Canadians can be brought even closer together.

The Prime Minister also added specifics to his vision in his remarks to the Federation of Canadian Municipalities when he said:

Today, I want to issue a challenge to you in municipalities – to Canadians everywhere – to join us in achieving these national targets:

To connect all of our schools and public libraries to the Internet by the end of this year;

To have a computer for every Canadian class in every school by the end of the year 2000.

The Prime Minister went further to identify:

SchoolNet is one of the greatest success stories of all.

He went on to explain SchoolNet in the following terms:

Established in 1994, SchoolNet is about linking Canadian students to the Internet, to each other, and to the wider world of knowledge and skills that it provides.

Our goal has been to link every school and every public library in Canada to the Internet. Look where we started in 1994. Zero. By 1995 we had linked 3,000 schools. By 1996, 7,000. By the end of last year, more than 13,000. And by the end of this year, we will have linked up every one of the 16,500 schools in Canada, and all of the 3,400 public libraries.

Each month, SchoolNet receives about 3 million hits. And I am told that the French version “Rescol” may be the largest source of French-language learning resources on the entire Internet.

The Prime Minister went on to say the following:

Canada is also a world leader in the creation of French content on the Internet. Contributing 30 per cent of the content while we account for around 6 per cent of the world’s Francophone population. And by promoting “RESCOL” around the world, we are helping students throughout La Francophonie get on-line.

The Saskatchewan School Trustees Association counts among its members the Division scolaire francophone. You will note from the attached Appendix E that the French Canadian student population in Saskatchewan is distributed around the province in a number of small schools. It would be unfortunate if global Canadian contribution reference by the Prime Minister was not available to these French Canadians in Saskatchewan.

The Liberal Party of Canada in its document entitled “Securing Our Future Together: Preparing Canada for the 21st Century, 1997” on page 45 set forth the following:

The Liberal government believes that rural Canada needs a strong information technology infrastructure. People living in rural Canada should have access to the same enabling tools and information resources as their urban counterparts.

We are obviously concerned that the outcome of this CRTC decision will not achieve the goal set forth by the Liberal Party while in Government.

The Honourable Dr. Melenchuk Minister of Education Government of Saskatchewan said on October 18th, 1999:

I am convinced that computers and the Internet, are tremendous resources for students and teachers.

New technologies have enhanced the ability of young people to learn about our world. To develop skills, and acquire the knowledge, they need to succeed in school, work and life.

I am proud of the partnership Saskatchewan Education has formed with Industry Canada and the Saskatchewan Communications Network to increase access to that technology in Saskatchewan schools.

The Minister’s statement is consistent with the objectives of Boards of Education in Saskatchewan.

We believe that paragraph 10 cited below from the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998” accurately describes the issues at risk, for those school children who live outside of the major urban centres of Canada.

10. The Province of Saskatchewan believes that the regulatory decisions and directions emerging from Telecom Public Notice 97-42, Service to High Cost Serving Areas, will have consequences beyond simply determining whether or not residents residing in rural and remote regions of Canada have affordable access to quality telecommunications and information services. The outcome of this process will determine whether or not we, as a society, exclude many of our residents from the opportunities afforded by access to a global economy and growing knowledge-based society.

We are requesting the Governor in Council to carry through with paragraph 20 cited below from the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998”.

20. Since passage of the Telecommunications Act in 1993, the Government of Canada has continued to formulate its policies around the evolution of the Information Highway, affirming that “all Canadians must have affordable access to the Information Highway, no matter where they live.”⁶ The federal government has further stated that, where market forces cannot provide access to essential telecommunications services, a national strategy should be developed to “identify the means—regulatory, financial or otherwise—of providing them to people living in rural, remote and northern communities.”⁷

⁶ Government of Canada. Building the Information Society: Moving Canada into the 21st Century. (Industry Canada: Distribution Services, 1996), p. 2.

⁷ Ibid. p. 24.

We would also like to draw your attention to the following recommendations of the federal Information Highway Advisory Council (IHAC), as cited in paragraph 21 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998”.

21. The Information Highway Advisory Council (IHAC), a broadly representative council that advised the federal government, similarly concluded that: “Access to the Information Highway is critical to Canada’s future as a knowledge society and its success as a knowledge economy.”⁸

IHAC recommended that the federal government address the challenge of “ensuring affordable access to basic telecommunications and broadcasting services, which represent Canadians’ ‘on-ramps’ to the Information Highway.”⁹

We recognize the significant level of agreement between the Federal Government and the Provincial Government with respect to these matters, as demonstrated in paragraph 23 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998”.

23. Saskatchewan is committed to harmonizing its telecommunications policies with those of the federal government and its regulatory agency, the CRTC. Accordingly, Saskatchewan has supported the direction of the federal government in introducing competition in the telecommunications industry. The Province acknowledges the benefits that have accrued to its residents in the long distance market and in increased consumer choices now available in the market place. However, the shift to a competitive environment is creating tensions between fulfilling the social policy objectives of universal, affordable access and sustained community development while achieving economic efficiencies.

We trust that the significance of the statements and the examples provided in paragraphs 56, 57 and 58 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998” convey the importance of the revision to the CRTC decision that we are requesting on behalf of the students of Saskatchewan.

8 Federal Information Highway Advisory Council. Preparing Canada for a Digital World . (Industry Canada: Distribution Services, 1997) , p. 41.

9 Ibid., p. 42

56. This paper has argued that access to the Internet is a critical element in deriving the benefits of the Information Highway. However, while the Internet is recognized as a key instrument for economic and social/community development, Internet access has lagged significantly in rural and remote regions of the country because long distance telephone charges to the nearest service provider are a major deterrent.²⁷ For rural and remote areas:

the issue of on-ramps to the Information Superhighway is really a question of whether residents and businesses have local access to the Internet or must pay long distance toll calls to make their Internet connections.²⁸

57. Saskatchewan recognized the disparity between rural and urban access to the Internet and the inherent inequity in this approach. In 1996, the Province directed SaskTel to provide province-wide Internet access service at equal cost to both rural and urban customers, effectively removing distance as a barrier to non-urban residents. Since that time, Internet usage has increased significantly. For example, during an eight-month period in the small exchange of Climax, Saskatchewan, 177 kilometres from the nearest urban centre, minutes of Internet access exceeded long distance minutes. In far-north Saskatchewan, residents of the Beauval exchange, 310 kilometres from the nearest urban centre, demonstrated widespread use of the Internet. This means that residents in small rural and northern communities are active participants in the Information Highway, an opportunity that for most would be unaffordable if long distance charges were applied.

58. In light of this, the Province of Saskatchewan recommends that the cost of providing equal dial-up access to the Internet for rural and remote residents be eligible for assistance from any high cost subsidy mechanism developed by the CRTC. The value of this approach can be summarized as follows:

A connected nation is more than wires, cables and computers. It is a nation in which citizens have access to the skills and knowledge they need to benefit from Canada's rapidly changing knowledge and information infrastructure. It is also a nation whose people are connected to each other.²⁹

27 Federal Information Highway Advisory Council. Preparing Canada for a Digital World . (Industry Canada: Distribution Services, 1997).

28 Parker, E. Telecommunications and Rural Development: Threats and Opportunities , "The Information Superhighway," TVA Rural Studies, University of Kentucky, May, 1996, p. 2.

29 Federal Speech from Throne to Open the First Session, Thirty-sixth Parliament of Canada. 1997, p. 9.

**ADVOCATES/ARGUMENTS FOR REMOTE, RURAL AND NORTHERN
AREAS**

The CRTC in Decision CRTC 99-16 dated October 19th, 1999 entitled “TELEPHONE SERVICE TO HIGH-COST SERVING AREAS”{File No.: 8665-C12-04/97} set forth the following points:

- 14 High-cost areas occur primarily in remote, rural regions and in the far north.
- 16 Parties suggested various definitions of a high-cost area:
 - Some defined a high-cost area as one where costs of providing service are above those in an urban area.
 - Others defined it as an area where costs are a certain percentage higher than the company's average costs of providing service.
 - Still others defined it as an area where it would be difficult for customers to afford residential rates high enough to cover the costs of delivering service.
17. After considering all comments, the Commission is adopting the following definition of a high-cost area:

a clearly defined geographical area where the incumbent local exchange carrier's monthly costs to provide basic service are greater than the associated revenues generated by an affordable rate as approved by the Commission. Costs are estimated using Phase II or Phase II-like costs, plus an appropriate mark-up. (Phase II costs are long-run, incremental costs calculated in accordance with directives established by the Commission.)
- 21 For example, competitors may choose to operate only in lower cost areas. Incumbent local carriers might then concentrate their efforts in lower cost areas as well, to better compete with new providers. To remain competitive, incumbent local carriers would perhaps reduce their rates in lower cost areas or cut their costs over all. Either of these strategies would reduce the funds available to subsidise their services to high-cost areas.

The CRTC appears to define rural and northern Saskatchewan as a High Cost Area in paragraphs 14 and 17. It is our view that paragraph 17 applies to rural and northern Saskatchewan regardless of the definition applied to the situation. We believe that rural and northern Saskatchewan will experience the forecast provided in paragraph 21.

It is also our understanding that at the conclusion of the 1998 meeting in Fredericton, New Brunswick of the Federal, Provincial and Territorial Ministers responsible for the “Information Highway” a communiqué was issued that said in part:

...access to the Information Highway in rural and remote areas, at affordable prices and service levels reasonably comparable to those in urban areas, is a fundamental goal of economic and social policy.

We believe that the dissenting opinion provided by CRTC Commission Andrew Cardozo warrants consideration and consequently we have reprinted it here.

Dissent by Commissioner Andrew Cardozo

While I am in accord with the majority in most parts of the decision, i.e. as it relates to telecommunications service to the far north, I dissent on how the Commission proposes to remedy the situation for those living in the rest of Canada.

General outlook

On a broad level, I look at this proceeding as being about “the last spikes in the telecommunications railroad”. It is about how to get telecommunications services to the outlying areas, which are served at a high cost. The completion of the railroad was about completing a national dream a little over a hundred years ago when the railroad across the country was considered a basic service, which linked Canadians from East Coast to West Coast. Getting telecommunications services to all Canadians, or at least as many as reasonably possible in this day and age, is about providing this basic service.

Specific concerns

Consider the number of Canadians who are not adequately served. The number of under-served households in Northwestel territory (Nunavut, Northwest Territories, Yukon and the northern region of British Columbia) is 300 and unserved is 1,300. Once existing service improvement programs are complete, the number of underserved households in the rest of the country is expected to be approximately 7,400 (primarily in the area served by the Ontario independent companies) and the unserved number will be just over 11,000 (served by Ontario and Quebec independents and former Stentor member companies).

This decision sets a “basic service objective” (paragraph 24), with which I am in full agreement. It is both timely and realistic. Further, it notes that this objective is for companies serving the far north as well as those in southern Canada, and again I agree with this.

Where I depart from the majority is with regards to the means that we put in place, such that all Canadians can have access to this basic service objective in a reasonable amount of time. I am in agreement with the

means that we set for the far north (paragraph 62), but would have preferred that the same means explicitly exist for southern Canadians, as a back-up to the mechanisms that we will have for southern companies (paragraph 38). In fact, I am in partial agreement with part of the decision that deals with southern Canada. While I agree with the direction to all incumbent local carriers to file service improvement plans as set out in paragraph 41, my concern is that the direction does not go the next step and clearly provide them access to supplementary funding if needed.

For the far north we are setting a reasonably high expectation for companies to fund improvements through means within their practices, and failing that they may have access to supplementary funding (the details to be addressed in a subsequent proceeding). We should have set a similar process in place for other companies making clear that a reasonably high burden of proof would have to be demonstrated by such companies. The Commission has a history of dealing with such funding mechanisms in a responsible and fair manner, and I would be confident that this would continue for assisting high-cost areas beyond the far north.

It is the lack of this clear back up for southern companies that I am in disagreement with. In short, I am concerned that without the explicit availability of supplementary funding, where necessary, Canadians living in the south, sometimes in remote or northern regions of the provinces, may not have access to the same benefits.

Essence of national public policy

Since the basic service objective is a national objective, the mechanisms for its implementation should be accessible to all Canadians, regardless of which part of the country they reside in. That is what a national objective is. For me it is central to the meaning of national Canadian public policy. I believe that different mechanisms may be applicable for different regions, so long as it is reasonably certain that the end result for citizens will be the same. The lack of specified access to supplementary funding (or an alternate but equally effective mechanism) for the south leaves me unconvinced that the end result will be the same.

For these reasons I respectfully dissent from my colleagues on the panel.

We anticipate that the forecast set out in the following is a correct interpretation of the foreseeable future in rural, remote and northern Saskatchewan. The source is the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998”

25 The IHAC summarized the problem in the following way:

Telecommunications network upgrades – including digital and high bandwidth access – are likely to happen first in major cities, where the cost of upgrades is lower and revenues to carriers will be higher. Similarly, the conversion of the Canadian radio and television broadcasting system to digital transmission and the further upgrading of the cable television networks is expected to proceed initially in the major urban markets. Because such services will be less profitable in rural areas – and may never be profitable at all – there will be delays in upgrading rural access networks, unless governments or regulators require or provide incentives for such upgrades.¹⁰

26. In addition, the Telecommunications Act requires the CRTC to ensure the efficiency of the Canadian telecommunications system.¹¹ Promoting facilities-based competition may not be appropriate for the telecommunications system in all areas of Canada. Promoting full competition without consideration of the unique circumstances of high cost serving areas could lead to the development of competing infrastructures, which the market could not otherwise sustain. As well, current levels of usage in these areas are not sufficient to warrant installing duplicate capacity.¹² Consequently, customers in rural and remote areas could be forced to pay for an uneconomic and duplicative investment in infrastructure. In the worst case scenario, if these duplicate infrastructures cannot be supported in the long term, a community could be left without a single viable infrastructure provider.¹³

10 Federal Information Highway Advisory Council. Access, Affordability and Universal Service on the Canadian Information Highway: Building Canada’s Information and Communications Infrastructure. (Industry Canada: Distribution Services, 1995), p. 8.

11 Telecommunications Act, 1993, Subsection 7 (c).

12 Government of Saskatchewan. An Examination of Long Distance Competition in Saskatchewan. May, 1994.

13 Comments of TELECOM Consulting Resources, Inc. before the Federal Communications Commission, CC Docket No. 96-45.

We recognize the merit of the argument presented in paragraphs 27, 28 and 29 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998” and yet are confused how the CRTC can, taking into account their assessment as presented in paragraph 27 arrive at the decision being challenged by this submission.

27. The Province of Saskatchewan suggests that competition is not a panacea and will not in and of itself achieve our common goals of universal, affordable service; comparable access; and community development. In fact, an example of a fully competitive market that is effective in truly high cost service areas has not been found. Therefore, the Province is encouraged by the CRTC’s acknowledgement that:

Even with a fuller realization of local competition...it is likely that market forces will not, on their own, achieve the Act’s accessibility objective in all regions of Canada. In establishing the rules to foster competition in all market segments, the Commission must therefore ensure it has regulatory tools through which to ensure the continued achievement of this objective.¹⁴

28. The Province agrees and considers these proceedings to be an opportunity for the CRTC to refocus on the key social policy objective of universal service. The outcome will directly influence our ability to achieve the telecommunications policy directions articulated by both levels of government.

29. A fundamental outcome of these proceedings will be the method by which this country protects and expands rural services during the transition from monopoly to competition. The traditional methods of subsidizing rural service are at risk in the transition, and the likelihood of competitive providers offering service in small rural communities is slim. As a consequence:

Rural residents may be doubly harmed. First, current monopoly providers may ignore rural markets while they focus their competitive attention and their investments on the urban locations where they face competition.

Secondly, new providers may fail to enter rural markets.”¹⁵

14 Telecom Decision CRTC 97-8. Local Competition. May, 1997, paragraph 146.

15 Parker, E. Telecommunications and Rural Development: Threats and Opportunities, “Federal and State

If Saskatchewan is to make a transition from the previous primarily agrarian economy to a diversified economy it will in part be dependent upon access to the global economy or “e” commerce as is proposed in paragraph 36 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998”.

36. Rural communities with access to advanced telecommunications have the capacity to be more effectively integrated into the global economy.²² In overcoming some of the barriers of market size, time, and distance, telecommunications and electronic commerce can create jobs in local economies and level the playing field for rural and urban businesses. While technology alone will not bring about economic growth, it can be an important catalyst.

It is our understanding that in the absence of a long term stable cross-subsidy system that the consequence of long distance competition could over time raise the costs of local basic telephone service from the current approximately \$20.00 month to approximately \$130.00 per month as is described in paragraph 38 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998”. It can be anticipated that this cost will make the previously virtually universal telephone service less of a guarantee to many farm families amongst others in Saskatchewan.

38. Failure to maintain an adequate, regionally sensitive mechanism to ensure that all residents will continue to have affordable access to basic telecommunications services will have onerous consequences for communities across the country. By reducing margins in order to compete with national companies in the more profitable markets, companies serving rural and remote areas can not economically serve all of their customers at current rate levels, nor can they continue to expand service into these areas or upgrade existing infrastructure. In Saskatchewan, for example, without subsidies many rural subscribers would have to pay as much as four or five times more than they currently do. Under these circumstances, if required to pay in excess of one hundred dollars a month just to acquire dial tone, many residents and businesses would not be able to retain access to even basic telephone services.

²² Parker, E. Telecommunications and Rural Development: Threats and Opportunities, “The Information Superhighway,” TVA Rural Studies, University of Kentucky, May, 1996

In many parts of rural Saskatchewan children take a bus to and from school every day. If the bus experiences difficulty the family at the next farmhouse scheduled student pick-up uses the telephone to locate the bus. The safety aspect of this telephone network can best be understood on a dark January day when it is either 30 or 40 below Celsius or a blizzard is developing. This daily reality should be added to the issue posed in paragraph 39 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998”.

39. In the absence of a sound telecommunications infrastructure that, at the very least, provides a range of basic services, we cannot begin to consider advanced telecommunications services that would enhance social/community and economic development in rural and remote areas. The implications of a system devoid of such advanced services can be thought of in very practical terms:

- if the local farm implement dealership cannot order parts quickly by fax, phone, or computer, it goes out of business and the farmer’s livelihood is at risk;
- if the small rural high school, with a shortage of qualified teachers, cannot gain access to distance education, its students do not receive a quality education;
- if the hardware store down the street can not exchange inventory data with its national headquarters, it cannot stock its shelves;
- if a far-north nursing station cannot communicate with a physician hundreds of kilometres away, a patient’s life is at risk; and,
- if all residents are not connected to a 911 network, emergency response service is ineffectual. (In Saskatchewan, universal access to the 911 emergency network is important to the success of Saskatchewan’s health reform in rural areas).

The following statement from one of the telephone companies for whom the changes were introduced by the Federal Government and the CRTC over the past few years as cited in paragraph 41 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998” amplifies the concern of Boards of Education about basic telephone service for the parents of those children on the school bus and the ability of those children to access the Internet at school, not to mention access to the Internet at home.

41. Maintaining affordable access to telecommunications services in rural regions of Canada has been, and continues to be, a challenge. AT&T Canada described the dilemma in the following way:

Even with recent improvements in productivity and reductions in costs, it remains the case that the cost of providing basic local service to more rural and remote areas can be so high as to make cost-based rates unaffordable to some.²⁴

The following statement by the Honourable John Manley, Minister of Industry Canada cited in the Executive Summary and on page 9 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas January 27, 1999” again amplifies the gap between the support for the circumstances in rural, remote or northern Saskatchewan and the decision of the CRTC.

Saskatchewan’s concerns in this area were recognized, in part, by the Honourable John Manley, Minister of Industry Canada, when he wrote:

It was obvious to me that you take great pride in the achievements of SaskTel in providing the people of Saskatchewan with high-quality, affordable telecommunications services. (Cited on page 9)

Balancing rural interests with the many other factors is often very difficult. I believe the CRTC can adequately balance all of the competing interests in this area, including rural interests since we have given them the legislative tools to achieve this. While competition remains a corner stone of our policy, the Telecommunications Act sets out a number of other objectives, including a requirement “to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas.”¹

The following list of accomplishments of SaskTel in the provision of telecommunication services in Saskatchewan cited in the Executive Summary of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas January 27, 1999” provides evidence of the resourcefulness of Saskatchewan people in addressing matters within the provincial jurisdiction.

Saskatchewan, through direct ownership of SaskTel, has undertaken to ensure:

- universal service – there are no more than some 250 Saskatchewan households located in northern Saskatchewan without access to basic service;
- quality telecommunications – Saskatchewan was one of the first provinces to achieve full digitization and to institute comprehensive individual line service;

24 AT&T Canada. Letter to CRTC on Telecom Public Notice CRTC 97-42. February 6, 1998, p. 2

1 Letter from John Manley, Minister, Industry Canada, to Honourable Bernhard Wiens, Minister of Intergovernmental and Aboriginal Affairs, Government of Saskatchewan, March 26, 1998.

- affordable service – Saskatchewan rates for basic services remain comparable to other areas of Canada despite the extent of the High Cost Serving Area (HCSA) in this province; and,
- access to the Information Highway is available across the province – all served areas have access to the Internet without incurring long distance charges.
- This level of service has been achieved through the sustained efforts of successive provincial governments over the last 90 years. However, maintaining this level of service for our rural and remote residents is now endangered by:
 - the pressures being brought to bear on the system of cross-subsidization for HCSAs by technology, competition and certain aspects of the current national regulatory regime;
 - the increasing demands by some to have either individuals themselves, or provincial/territorial governments, assume the financial responsibility for “rebalancing” rates in rural and remote areas to more accurately reflect costs;
 - the continuing and growing disparities of economic opportunity caused by regional contribution rates in what has become a truly national marketplace, and the inability of the existing regional contribution mechanism to provide sustainable subsidies;
 - national regulatory decisions which tend to exclude small businesses, libraries and schools from the subsidy system; and
 - the increasing demands being placed on the rural and remote telecommunications infrastructure to provide what are deemed by the public to be necessary services, such as access to the Internet.

The introduction of an amendment to the Telecommunications Act to facilitate a “Universal Service Fund” and then to fail to apply it to areas of Canada, rural, remote and northern beyond the three territories which appear to meet the CRTC’s definition of a High Cost Area as highlighted on page iii of the Executive Summary of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas January 27, 1999”, is confusing to say the least.

1. There is a strong, existing public policy framework to support the development of national policies and national contribution obligations. Since passage of the Telecommunications Act in 1993, and its subsequent updates through Bill C-17, the Government of Canada has continued to formulate its policies on the evolution of the Information Highway, with the objective that “ all Canadians must have affordable access to the Information Highway, no matter where they live.”² The basic parameter of affordability for High-Cost Service Areas was defined by the Federal/Provincial/Territorial Ministers of the Information Highway as being prices “reasonably comparable to those in urban areas.”³

The federal government has further stated that, where market forces cannot provide universal access to essential telecommunications services at affordable rates, a national strategy should be developed to “identify the means— regulatory, financial or otherwise—of providing them to people living in rural, remote and northern communities.”⁴ With the addition of Section 46.5 to the Telecommunications Act, the CRTC now has the regulatory means to ensure universal access to comparable services at reasonably comparable rates.

The statements made by other provincial or territorial governments as illustrated on page 5 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas January 27, 1999” confirms that this concern is broader than just Saskatchewan.

The Government of Manitoba shares the concern of some participants in the proceeding who believe that the current contribution regime is not appropriate to the task of ensuring rural and remote service. Therefore, we urge the Commission to seize the option created under Bill C-17 by creating a national rural and remote service support fund...There are a number of powerful reasons discussed by participants as to why such a fund is needed, and why it is to be preferred over other suggested mechanisms. We believe that a national rural and remote support fund concept is consistent with the policy objectives set out in the Telecommunications Act. It also would create the broad base of sustainable inter-territorial funding needed to maintain and advance rural and remote service without imposing an unreasonable burden on telecommunications users.¹⁸

2 Government of Canada, Building the Information Society: Moving Canada into the 21st Century, Industry Canada: Distribution Services, 1996, p. 2.

3 Federal/Provincial/Territorial Meeting of the Ministers Responsible for the Information Highway, Fredericton, New Brunswick, June 12, 1998.

4 Ibid. p. 24

18 Manitoba TPO, presentation to Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, June 10, 1998, pp. 12-13.

This was also reiterated by the Government of the Northwest Territories (GNWT) when it stated:

GNWT shares these concerns, for, as noted in the following section, competition and the associated changes that accompany it, have rendered unsustainable the traditional mechanisms, which in themselves were never wholly adequate, used to ensure that all Canadians have access to affordable, high quality telecommunications services. In GNWT's view, unless new mechanisms are developed to deal with HCSAs the result will be a system of two tier telecommunications in which those Canadians served by telephone companies operating in predominantly urban or low cost rural areas receive a full range of high quality telecommunications services at affordable prices, while those served by telephone companies predominantly operating in HCSAs will have far fewer services made available to them and will only be offered those services at prices that may not be affordable.¹⁹

We are aware of the statements made by others* that participated in the CRTC process who have come to the same conclusion as our Association. The fact that others have come to the same conclusion as is reflected in the statements below of the Bruce Municipal Telephone Company (BMTS) does not allay the Association's concerns about the affordability of Internet services for our students if the CRTC decision is not revised.

Residents in rural and remote areas do not have convenient access to traditional resources such as libraries, government offices and documents and reliable mail service. As such, the Internet becomes a valuable tool, whether it is used for research over the Web, e-mail communications, electronic placement of orders or electronic delivery of documents. While most urban residents take their toll-free access to the Internet for granted (and would probably not use it if they did have to pay toll charges), some rural residents have no choice. BMTS is of the view that it is doubly inequitable to require a person who, by virtue of his or her remote location, is more dependent on electronic communications to then pay toll charges for the "privilege" of doing so. In conclusion, BMTS is of the view that toll-free access to the Internet for customers located in HCSAs should be eligible for subsidization from a HCSA fund.⁴⁰

19 The Government of the Northwest Territories submission to Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, May 1, 1998, p. 4.

* It is our understanding that the following organizations made similar statements; Telebec, Quebec-Tel, PIAC, BMTS, Thunder Bay, Globalstar, the Northwest Territories Government, MKO, Tatlayoka, SATAT, UCG, Wawatay and the Yukon Government.

40 Bruce Municipal Telephone Company, response to Interrogatory "Bruce (Sask.) June98-3 HCSA," Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, August 28, 1998.

On behalf the children in our schools we urge the Federal Government to consider the following statement as quoted on page 15 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas January 27, 1999”. This decision can have a significant impact on the students and the communities of rural, remote and northern Saskatchewan.

In overcoming some of the barriers of market size, time, and distance, telecommunications and electronic commerce can create jobs in local economies and level the playing field for rural and urban businesses. While technology alone will not bring about economic growth, it can be an important catalyst.⁴¹

41 Government of Saskatchewan, submission to Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, May 1, 1998, para. 36.

ADVOCATES/ARGUMENTS FOR A UNIVERSAL SERVICE FUND

We believe that paragraph 12 cited below from the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998” describes the need for a “Universal Service Fund”.

12. Rural and remote regions are characterized by low populations, widely dispersed over large geographic areas. These areas, by definition, lack the economies of scale needed to substantiate a sound business case for the necessary investment needed to deliver telecommunications services. Consequently, residents in rural and remote regions are unlikely to derive the same benefits from the market forces at play in urban areas. Future-oriented measures must be implemented to bridge the gap between market forces and the access needs of rural and remote residents.

In 1998 the Parliament of Canada amended the Telecommunications Act, by C-17 An Act to Amend the Telecommunications Act, specifically Section 45.6 which reads as follows:

- 46.5(1) The Commission may require any telecommunications service provider to contribute, subject to any conditions that the Commission may set, to a fund to support continuing access by Canadians to basic telecommunications services.
- (2) The Commission must designate a person to administer the fund.
- (3) The Commission may regulate
 - (a) the manner in which the administrator administers the fund; and
 - (b) the rates, whether by requiring pre-approval of the rates or otherwise, charged by the administrator for administering the fund.

Mr. Michael Binder Associate Deputy Minister of Industry Canada explained this amendment as follows to the Standing Committee on Industry on November 27th, 1997:

...with this kind of provision the Commission has the power to establish a mechanism to ensure that access in this country remains a priority.

In reviewing the documents related to this decision we are aware of a letter from the Honourable John Manley, Minister of Industry Canada to the then Saskatchewan Minister of Intergovernmental and Aboriginal Affairs, the Honourable Bernhard Wiens on March 26th, 1998 in which he set out the following context assurance for federal regulation of SaskTel:

Balancing rural interests with the many other factors is often very difficult. I believe the CRTC can adequately balance all of the competing interests in this area, including rural interests, since we have given them the legislative tools to achieve this. While competition remains a corner stone of our policy, the Telecommunications Act sets out a number of other objectives, including a requirement “to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas.

Paragraph 1 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998” stated the following:

Telecommunications is more than a basic commodity to be bought and sold in the competitive market place. Successive Saskatchewan governments have formulated policies based on the belief that universal, affordable telecommunications is a public good on which economic and social/community development relies. Accordingly, the Province of Saskatchewan suggests four guiding principles for achieving affordable, universal service in rural and remote high cost service regions:

- 1) Rural and remote residents should have access to quality, advanced services at rates reasonably comparable to urban residents;
- 2) Preserving universal service is a national goal requiring national mechanisms;
- 3) All providers of telecommunications services within the national market should contribute equitably to the preservation of universal service;
- 4) Universal service should be pursued on a competitively neutral basis and should be the responsibility of both incumbent companies and new entrants.”

This appears to be consistent with the objectives set forth in section 7 of the Telecommunications Act.

Paragraphs 73, 78 and 87 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998” cited below identify three important considerations, the continue value of cross-subsidization, the likely or inevitable loss of cross-subsidization and the consequential and inevitable regional disadvantages.

73. Historically, cross-subsidies ensured universal, affordable access to telecommunications services. The basic premise that continues to underlie the principle of cross-subsidization is:
- it is advantageous for all service providers to ensure the ongoing participation of residents in high-cost areas of the network; and,
 - by widely distributing the financial requirement necessary to offset service provision costs in rural and remote regions among all telecommunications service providers, no one sector of the industry or the country will be disadvantaged.
78. The Province of Saskatchewan is concerned that the new competitive environment will destroy the traditional subsidy arrangements that have supported the development of affordable access to a high quality infrastructure in both rural and urban areas. Even now, intense competition in the long distance market is creating pressure to align rates with not only national, but also North American levels, increasing the demand to lower the contribution subsidy from long distance services.
87. If, as indicated earlier, long term economic development is irrevocably tied to access to the Information Highway, the Province contends that any system which, by definition, disadvantages regional businesses--both urban and rural--weakens the very economic fabric of Canada and is contrary to the objectives of the Telecommunications Act. The net result of the current differential in the contribution regime is contrary to decades of policy initiatives of the federal government and to the Canadian constitution, which commits governments to “promoting equal opportunities for the well-being of Canadians” and “furthering economic development to reduce disparity in opportunities.”³⁹ The differential in contribution rates among regions is also contrary to the current federal government’s commitment to ensure that the information and knowledge infrastructure is accessible to all Canadians.

The following points raised on page iv of the Executive Summary and pages 1, 3 and 4 respectively of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas January 27, 1999” warrants a further point. If regional/provincial regulation and the consequential cross-subsidization is not possible due to these factors, surely it must fall to the Federal Government to provide the cross-subsidization and not the regional/provincial authority from which the authority has been taken.

39 Constitution Act, 1982, Section 36, 1. (a) and (b).

3. Given that telecommunications activity is now national and international in scope, a series of regional contribution funds can no longer be expected to meet the needs of all Canadians for affordable, high quality telecommunications services. New regulations and universal service mechanisms must be developed to balance the promotion of national and international competition with the objective of maintaining universal and affordable access to quality service. There is a need to develop a national approach that is not affected by changes in corporate ownership structures, operating territories or national marketing plans.

It is an integral part of our confederation that each region is part of the whole, and that there are national institutions, national programs and national policies, as in the Telecommunications Act, that are applicable to all, regardless of where they might live. There should be no requirement for any Canadian to accept a lesser degree of participation in national institutions, programs or policies because of where they choose to live.⁷

It is Saskatchewan's belief that the groundwork for a national universal service fund has already been laid in Canada. In 1996, the federal government promised to:

develop a national access strategy ... to ensure affordable access by all Canadians to essential communications.¹²

In addition, it stated that:

where market forces cannot provide such services, the strategy will identify the means – regulatory, financial or otherwise – of providing them to people in rural, remote and northern communities.¹³

A major step in creating this national access strategy included recent changes to the Telecommunications Act.¹⁴ These amendments, known as Bill C-17 were “designed to give access to the information and knowledge infrastructure.”¹⁵

7 Yukon Government, response to Interrogatory “YG (CRTC) 19June98-1601”, Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, August 28, 1998

12 Building the Information Society; Moving Canada into the 21st Century, Industry Canada, 1996, p. 2.

13 Ibid.

14 Honourable John Manley, House of Commons Debates, stated: “Bill C-17 marks a major step in our strategy to connect Canadians to the information highway,” November 4, 1997.

15 ibid. 16

CONCLUSIONS

In reviewing the following two paragraphs from the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998” the Association is left with the following question. If there is concurrence between the federal and provincial government with respect to these points as expressed in the Telecommunications Act or the telecommunications objectives of successive Saskatchewan provincial governments, what has changed that requires cross-subsidization of rural remote and northern residents today but will not require cross-subsidization on July 1st, 2000 for those same residents? It is our assessment that the only change has been the creation of a national telecommunications market and this we believe requires a national solution.

15. The Province has adopted three policy goals to guide future telecommunications development in Saskatchewan:
 - a) people of Saskatchewan should have reasonably comparable access to essential services like telecommunications, regardless of where they reside;
 - b) all Saskatchewan people should have access to the opportunities afforded by a high quality telecommunications infrastructure; and,
 - c) the economic efficiencies that can be derived through competition in the telecommunications industry must be balanced with the objectives of providing universal, affordable access to the Information Highway and maintaining the economic and social viability of rural communities.

18. Historically, the purpose of regulating telecommunications, whether federally or provincially, has been to promote, as an essential public utility, the availability of telecommunications services to all Canadians at affordable rates. The Telecommunications Act is grounded in a regulatory framework intended to achieve the following objectives:
 - to facilitate the orderly development throughout Canada of a telecommunications system that serves to safeguard, enrich and strengthen the social and economic fabric of Canada and its regions;
 - to render reliable and affordable telecommunication services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada;
 - to respond to the economic and social requirements of users of telecommunications services.

Again in reviewing the material provided in various documents and considering the day to day realities that Appendices C and D represent to the future outlined in paragraphs 24 and 25 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998”, continues to cause Boards of Education grave concern about the ability to continue to economically provide Internet access in rural, remote and northern Saskatchewan.

24. The Province is concerned that, in the absence of intervention, social policy objectives like universality may be compromised for the sake of competition. If market forces are allowed to overshadow social policy interests, the notion of universal service is at risk, and the goal of balancing economic and social requirements, as outlined in the Telecommunications Act, is subverted.
25. The Telecommunications Act also demands that both urban and rural areas have access to high quality telecommunications. Inevitably, if infrastructure development is left to market forces, technology diffusion will be uneven, since deploying technologies in sparsely populated areas is more costly than in urban centres, with fewer users to share the financial burden. Current telecommunications rates paid by individual customers in rural and remote areas are not sufficient to pay the true costs associated with developing and maintaining a basic telecommunications infrastructure that serves all areas of the province.

We found the arguments posed by some of the participants offensive as reflected in paragraphs 97 and 99 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998”. Successive Saskatchewan Governments of all political stripes have built SaskTel into a first class utility which through cross subsidization provides first class affordable services for virtually every resident of Saskatchewan. To suggest that the taxpayers of Saskatchewan must now subsidize a previously profitable utility to ensure the right of foreign companies to skim the profitable telephone services and export the profits out of Canada is to say the least, offensive. The Government of Saskatchewan has submitted SaskTel to national regulation to meet the policy or treaty requirements of the Federal Government, but it should not now cost Saskatchewan taxpayers and children to be Canadian.

97. Many companies in various forums have raised the notion of direct subsidization by provincial governments from general tax revenues as a plausible alternative to current subsidy mechanisms. The Province of Saskatchewan believes that such a consideration is contrary to the intent of the current Telecommunications Act.

99. It has been suggested that access to services in rural and remote regions is an income-related problem, and that some subscribers can not afford service because they earn too low an income. Proponents of US programs like “Lifeline” and “Link Up” argue that individual subscribers should be subsidized directly so that they can pay the higher costs that would result from the withdrawal of subsidy mechanisms. The Province of Saskatchewan suggests that this is not the most effective method of resolving the problem. In a previous submission to the CRTC, the Province stated that such low-income options “either encourages lower income people to opt for fewer services or requires them to identify themselves as poor and in need of a direct monthly subsidy.”⁴²

We also reviewed other arguments with respect to a proactive approach found on pages 29, 30, 31, 34 and 35 of the “Government of Saskatchewan, Submission To Canadian Radio-Television January 27, 1999 And Telecommunications Commission: Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas”. It appears that the CRTC again contradicted itself with respect to the fate of rural, remote and northern areas in “Telecom Decision CRTC 97-9: Price Cap Regulation and Related Issues”. There again seems to be the argument that taxpayers in Saskatchewan should pay for a national objective. In addition, the argument is discussed by parties to the process challenging the assumptions that the most disadvantaged be they rural or remote or northern or aboriginal residents must pay the cost of their traditional places of residence when the federal government changes the rules of the game. We respect the authority of the federal government to make these decisions in the national interest but surely this does not include the abandonment of those most adversely affected by those decisions or left to others to fix the problem.

Saskatchewan urges the CRTC to continue to support its statements made in Telecom Decision CRTC 97-9: Price Cap Regulation and Related Issues, that:

“With respect to basic residential local service and single-line business local service, the Commission is of the view that...it is appropriate to maintain rural rates at levels which are not greater than the rates paid by urban customers...”⁶⁰

⁴² Government of Saskatchewan, Submission on Telecom Public Notice CRTC 1995-49, p. 6.

⁶⁰ Canadian Radio-television and Telecommunications Commission, Telecom Decision CRTC 97-9: Price Cap Regulation and Related Issues, May 1, 1997, para 162

C. Government Funding Versus Reliance on Industry Contributions

Throughout the interrogatory process within this proceeding, Saskatchewan has received a number of questions asking it to outline the range of social and economic programs developed by various levels of government to assist rural and remote residents. Saskatchewan can only conclude that the intent of these questions was to support the contention that: “the most efficient and equitable method for funding any high cost serving area mechanism is through general government revenues,”⁶¹ and that: “Just as governments have funded various industry sectors through direct investment, tax credits or other means, government must facilitate the provision of quality local service for those living in rural and remote regions of the country.”⁶² It is Saskatchewan’s contention that the federal government, in formulating the objectives of the Telecommunications Act, has made the determination that the goal of universal and affordable access to quality basic telecommunications services will be achieved through industry regulation. This argument was reinforced by the 1998 amendments to the Telecommunications Act, particularly Section 46.5.

Finally, Saskatchewan submits that, given the disproportionate location of high-cost serving areas in certain provinces and territories across Canada, it is fundamentally inequitable to propose that those governments and their local taxpayers should bear the financial burden of providing subsidies to ensure universal access to the national undertaking that is the telecommunication’s network. Such a proposal would only serve to aggravate existing regional and provincial disparities in economic opportunity and performance.

This was reiterated by Wawatay when it stated that:

“What would be the point of having new high technology telecommunications systems brought into a remote First Nation, only to realize that the level of operating costs that the provider would have to charge would put those services beyond the economic reach of most consumers, businesses and institutions in that remote area? Any system which the Commission establishes from these proceedings thus has to not only balance the capital needs of unserved and underserved areas, but also take into account the issue of affordability...There needs to be some balance in whatever system the Commission established from these proceedings so that operating costs are also taken into account.”⁶⁷

61 Telus, submission to Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, May 1, 1998 para. 15.

62 Stentor Resource Centre, submission to Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, May 1, 1998, para. 18

67 Wawatay: The Northern Telecommunications Infrastructure Working Group, response to 2nd Round Interrogatory “Wawatay (CRTC) 2202 16Oct98-97-42”, Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, November 13, 1998, p. 8

Saskatchewan agrees with Bruce Municipal Telephone System's statement that:

In BMTS' view, the objectives of the Commission in this proceeding are two fold. Firstly, it must address the disparity in costs between serving rural areas and urban areas. Without subsidization, rate rebalancing and lower contribution rates cannot occur in the rural areas. Secondly, the Commission must address those subscribers in remote areas who are unserved or under served. Both of these objectives are necessary to meet the goals of the Telecommunications Act.⁷²

We find that these counter arguments to a Universal Service Fund are also discussed on pages 24, 25 and 26 of the "Government of Saskatchewan, Submission To Canadian Radio-Television January 27, 1999 And Telecommunications Commission: Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas". Again the counter argument seems to propose that nothing be done until a crisis develops, notwithstanding that other nations have not left their citizens to their fate and hoped for the best.

V. NATIONAL UNIVERSAL SERVICE FUND ISSUES

As part of Telecom Public Notice CRTC 97-42: HCSA, a small number of participants have put forward arguments which have tended to call into question the need for a national subsidy mechanism to deal adequately with the long term needs of rural and remote residents. These arguments tend to focus on the assumptions that:

- market forces will somehow, in and of themselves, ensure affordable access to quality basic telecommunications services to rural and remote residents;
- residents in rural and remote areas should pay more for basic telecommunications services, as they do for many other goods and services, and they will be willing to do so because they recognize the value of telecommunications to their social and economic prospects;
- tax-based government funding, rather than industry revenue contributions, should be the preferred tool for ensuring that the infrastructure is available and affordable to rural and northern residents;
- there is a higher priority to extend service than to maintain basic service levels for rural and remote residents; and,

72 Bruce Municipal Telephone System, response to 2nd Round Interrogatory "BMTS (CRTC) 16 Oct 98-2202 HCSA", Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, November 13, 1998, p. 2 of 2.

- with the advent of competition, companies should no longer be held to their obligation to serve rural and remote residents.

In general, Saskatchewan finds these arguments to be self-serving, contrary to the intent and objectives of the Telecommunications Act and not in the long-term interests of rural and remote residents across Canada.

As CRTC Commissioners Langford and Cardozo, stated:

While “encouraging competitive entry” is a Commission objective, an objective drawn from those listed in section 7 of the Telecommunications Act (the Act), it is neither the Commission’s nor the Act’s sole objective.⁵⁴

Contrary to Stentor’s position, Saskatchewan, like Telus, believes that:

“By definition, some intervention is required in high cost serving areas in order to ensure that rates are affordable and service is accessible.”⁵⁵ Accordingly, we ask that the CRTC continue to recognize that market forces alone (i.e. competition) will not ensure affordable access by all rural and remote residents to quality basic telecommunications. As the CRTC has stated in Telecom Decision CRTC 97-8, Local Competition:

...the Commission considers it unlikely that competition will develop in all areas in the near term. Even with a fuller realization of local competition, the Commission considers it likely that market forces will not, on their own, achieve the Act's accessibility objective in all regions of Canada. In establishing the rules to foster competition in all market segments, the Commission must therefore ensure it has regulatory tools through which to ensure the continued achievement of this objective.⁵⁶

In reviewing paragraphs 106 to 112 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998” it seems to us that this forms a reasonable basis to establish a Canadian Universal Service Fund to ensure Internet services at a reasonable and affordable cost for school children across Canada in the remote, rural and northern areas.

54 telecom Order CRTC 98-1346, Dissent by Commissioners Stuart Langford and Andrew Cardozo: TCEI Application, Tariff Notice 94, December 23, 1998, para 3

55 Telus, submission to Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, May 1, 1998, para. 21.

56 Canadian Radio-television and Telecommunications Commission, Telecom Decision CRTC 97-8, Local Competition, May 1, 1997, para. 146

106. With this in mind, the Province of Saskatchewan suggests four guiding principles for achieving affordable, universal service in rural and remote high-cost service regions:
- 1) Rural and remote residents should have access to quality, advanced services at rates comparable to urban residents.
107. The Province of Saskatchewan believes that residents in rural and remote areas should have access to quality telecommunications services at rates reasonably comparable to urban areas. All residents should also have access to the opportunities afforded by a high quality telecommunications infrastructure, such as access to Information Highway services like the Internet.
- 2) Preservation of universal service is a national goal requiring national mechanisms.
108. Residents in high cost areas should be allowed to participate successfully in a national and international marketplace, with national recognition of their needs. As stated by IHAC:
- Canada's long-term interests lie in the ability of regional economies to be self-sustaining. Limitations on access to Information Highway services will affect potential job creation as well as social and cultural opportunities.⁴⁴
- 3) All providers of telecommunications services within the national market should contribute equitably to the preservation of universal service.
109. This principle is based on the premise that universal connectivity benefits both consumers and service providers, since the value of a network is in the extent to which it connects everyone and generates the economic benefits of an increased market. Fair and equitable contributions to mechanisms that will preserve universal service will garner long-term benefits for all participants in the telecommunications industry.
110. Secondly, this principle supports a technology neutral approach in that providers of wireline and wireless services, as well as providers of evolving technologies and services, like Internet Service Providers, should be considered equally in both contributions to and benefits from a universal service mechanism.

⁴⁴ Federal Information Highway Advisory Council. Access, Affordability and Universal Service on the Canadian Information Highway: Building Canada's Information and Communications Infrastructure. January, 1995, p. 8.

- 4) Universal service should be pursued on a competitively neutral basis and should be the responsibility of both incumbent companies and new entrants.
111. Contributions to and eligibility to derive benefits from mechanisms that ensure universal service should be available to all eligible telecommunications providers, whether they are incumbent telephone companies or new competitors.
112. The Province of Saskatchewan recommends the development of a national Universal Service Fund as the most effective method of achieving these principles. The Province suggests that this approach is an effective method of transcending provincial and territorial boundaries, balancing social and commercial interests, and fairly distributing the financial responsibility to serve all Canadian citizens regardless of where they may reside in Canada. The Province further suggests that the development of a national Universal Service Fund will enable the CRTC to meet the principles outlined in Sections 7 (a) and (b) of the Telecommunications Act.

In reviewing the literature on this topic we have come to the understanding that several other nations have established similar mechanisms to ensure affordable access to quality telephone and Internet services in the remote, rural and northern areas of countries such as the United Kingdom, the United States (Appendix F) and Australia. Paragraphs 106 to 112 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission In Response to Telecom Public Notice CRTC 97-42 Service to High Cost Serving Areas May 1, 1998” it seems to us form a reasonable basis to establish a Canadian Universal Service Fund to ensure Internet services at a reasonable and affordable cost for school children across Canada in the remote, rural and northern areas.

In reviewing the material we have found nothing to contradict the assessment provided by AT&T Canada as stated in page 5 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission Oral Presentation Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas January 26, 1999” beyond vague assurances that yet to be developed technology or some other event would prevent the otherwise inevitable loss of basic and Internet services across rural, remote and northern areas of Canada. It is not at all comforting to realize that other countries have not accepted these assurances on behalf of their citizens and so we do not understand from the decision what members of the CRTC know, that the Federal Communications Commission (FCC) in the United States does not know, for example.

The result is that companies serving large high cost areas begin, through the effect of competition, to lose revenues from more urban centres and are left with fewer resources to serve more remote communities. In fact, AT&T Canada has recently described rural and remote areas of regions of Saskatchewan as:

“barren ground for any profit-driven competitor”⁶

The Dominion Bond Rating Service (DBRS) analysis cited in the page 16 and 21 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas January 27, 1999” is no more comforting than the AT&T description cited above.

Population dispersion remains a key cost driver in the delivery of telecommunications, a driver which technological advances have yet to overcome. The November 1998, Dominion Bond Rating Service (DBRS) study of the Telephone Industry in Canada demonstrates the correlation between the size of rural serving areas, variations in network configuration, the growth of competition and the potential for “skimming” (see Appendix B - DBRS Population and NAS Densities Chart). Those companies with high numbers of rural residents have the least ability to compete in their urban markets.⁴² As an example, AT&T Canada has called Saskatchewan “barren ground for any profit-driven competitor”⁴³ because of its high contribution costs. Yet this same company plans to serve the national high-end businesses located in Saskatchewan. This “skimming” will harm the ability of the incumbent carrier to provide the implicit subsidies now necessary to provide universal, affordable access to rural and remote residents in high-cost serving areas. In northern areas, such as those served by NWTel, the cost challenges are created by the need to provide service between dispersed communities. In many rural areas in the prairies, the cost challenges are created both by the need to provide service between dispersed communities, and by the need to provide local loops to serve the dispersed customer base in local calling areas. Saskatchewan would submit that the financial evidence given to the CRTC as part of this hearing process has indicated that the costs of local loops in rural areas are dramatically higher than those in areas that are even moderately populated.

The second major reason that companies have begun to redirect their attention from the maintenance and extension of basic services to rural and remote residents is the growing realization that basic service revenue growth will continue to slow. Any future growth potential will come from “enhanced features” and “data networks.”⁴⁹

6 Regina Leader-Post, “Local Phone Option: AT&T to Offer Local Business Service,” October 16, 1998

42 Holman, Paul, et al., The Telephone Industry in Canada “...the Calm is Over”, an Industry Study by Dominion Bond Rating Service Ltd. (DBRS), November 1998, pp. 13, 28, 31.

43 Regina Leader-Post, “Local Phone Option: AT&T to Offer Local Business Service,” October 16, 1998

49 Dominion Bond Rating Service Ltd. (DBRS), The Telephone Industry in Canada, “...and the Calm is Over”, An industry Study by Dominion Bond Rating Service, November 1998, p. 6

The changes described below on page 19 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas January 27, 1999” can in part be defined within the time frame of the CRTC hearing and appeal process and thus we would urge the Governor in Council to revise the CRTC decision before some of the other more damaging forecasts for the access of school children to the Internet occur and a national issue has developed and an otherwise progressive Universal Service Fund decision becomes a reactive decision.

A. Changing Focus of Telecommunications Carriers The Canadian telecommunications industry is currently undergoing dramatic and fundamental change. Some examples include:

- larger telephone companies such as Bell Canada and the new BCT.Telus Communications are now moving quickly to grow beyond their provincial borders and traditional operating territories;
- many new companies, without attachments to any specific territories, have developed as significant players in the Canadian telecommunications market;
- competition for the long distance, local and advanced services market has increased substantially, and with a focus on urban businesses;
- new and faster technologies, based primarily on the use of fibre optics, have led to volume transmission discounts;
- the Internet is gradually replacing the use of both facsimiles and traditional long distance traffic; and,
- construction of transmission facilities between major urban centres has grown at a substantial pace.

In Saskatchewan’s opinion, however, these changes, and the benefits that flow from them, have begun to bypass rural and remote residents in Canada.

The perspective of the Government of Saskatchewan appears to be shared by others across Canada, specifically O.N.Tel as cited on page 22, 23 and 24 of the “Government of Saskatchewan Submission To Canadian Radio-Television and Telecommunications Commission Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas January 27, 1999”.

As O.N.Tel stated:

One of O.N.Tel's strengths is the fact that in a monopoly environment, it has managed its few higher density interexchange routes in an extremely efficient manner. Because its operations and network are managed efficiently, O.N.Tel is able to use the contribution implicitly generated on those routes to offset the higher costs of providing interexchange service in rural areas. While this has proven to be a great strength in a monopoly environment, it leaves O.N.Tel little ability to adjust its rates through productivity gains. Furthermore, since the most profitable/efficient routes are also likely to be the most attractive to competitors, O.N. Tel is particularly vulnerable to the extent that competitive interexchange carriers entering its operating territory choose only to target these few lower cost routes.⁵⁰

Therefore, over the long run, those organizations that operate predominantly in high cost serving areas will become less competitive.

This problem is particularly acute for carriers of last resort in areas like northern Quebec, Newfoundland, the Northwest Territories and Saskatchewan.⁵¹ Because there is not a sufficient ratio of lower cost to higher cost customers, it is difficult to generate sufficient revenue to cover shortfalls while competing within a national and North American marketplace. As O.N.Tel stated:

...as O. N. Tel's interexchange revenues in less remote centres are eroded through competition, O.N. Tel will have fewer means of recovering the costs associated with providing interexchange service to the more remote communities that are unlikely to attract competitive entry. For instance, O.N. Tel will not be in a position to collect significant amounts of interexchange contribution through an access charge to the local network in those exchanges where it provides local exchange service, given the minimal NAS count, therefore the minimal amount of interexchange traffic associated with those exchanges. For the same reason, O.N. Tel is not in a position to implement revenue neutral rate rebalancing to reduce the impact of interexchange revenue erosion.⁵²

50 ONTel, submission to Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, May 1, 1998, para. 29

51 Dominion Bond Rating Service Ltd., *The Telephone Industry in Canada*, "...and the Calm is Over", November 1998, p. 31.

52 ONTel, submission to Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas," May 1, 1998, para 21

Further support for the position of the Government of Saskatchewan is found on pages 27, 37 and 38 of the “Government of Saskatchewan, Submission To Canadian Radio-Television January 27, 1999 And Telecommunications Commission: Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas.”

In response to such statements, Saskatchewan agrees with the Government of the Yukon statement that:

The implication from the referenced section of the Stentor submission seems to be that Northern Canadians should not have subsidies to support telecommunications because they have chosen to live in a region with higher costs. The Yukon Government finds several conclusions troubling in this position. It is an integral part of our confederation that each region is part of the whole, and that there are national institutions, national programs and national policies, as in the Telecommunications Act, that are applicable to all, regardless of where they might live. There should be no requirement for any Canadian to accept a lesser degree of participation in national institutions, programs or policies because of where they choose to live. The concept advanced by Stentor is that in order to have access to the latest technology and the widest range of services, that Canadians should live in dense urban areas. This result would be entirely inconsistent with the telecommunications policies developed by Parliament and the Commission, and would not bode well for the economic growth of the country. A further difficulty with the Stentor position is that the Telecommunications Act has established national policies that require affordable telecommunications to be made available regardless of where Canadians choose to live. Lastly, Stentor’s statement does not take into account that many of the North’s residents are not here because of a chosen “lifestyle trade off” but because it is their ancestral home.⁵⁸

In addition, the Government of the Northwest Territories declared in its May 1, 1998 submission that: “unless new mechanisms are developed to deal with HCSAs the result will be a system of two tier telecommunications in which those Canadians served by telephone companies operating in predominantly urban or low cost rural areas receive a full range of high quality telecommunications services at affordable prices, while those served by telephone companies predominantly operating in HCSAs will have far fewer services made available to them and will only be offered those services at prices that may not be affordable.”⁷⁹

58 Yukon Government, response to Interrogatory “YG (CRTC) 19June98-1601”, Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, August 28, 1998

79 Government of the Northwest Territories, submission to Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, May 1, 1998, p. 4.

Saskatchewan is not alone in its concerns. Various forums, including parliamentary committees, have touched on the subject during their deliberations. As noted earlier, the March 1997 Report of the Standing Committee on Natural Resources stated:

To meet the objective of providing adequate access by rural residents to the information highway, the federal government should attempt to ensure that the communications systems in rural Canada keep pace with available technology. The cost of upgrading rural telecommunications infrastructure should be borne by all subscribers, both urban and rural.⁷⁶

This reality was also recognized at the CRTC Public Hearing in Prince Albert on June 2, 1998 when Mrs. Isabelle Butters, President of the Saskatchewan Library Trustees Association, stated:

The vast majority of our service points and our patrons live in what will likely be designated high cost serving areas. There are many service points in communities of less than 100 people and, of course, many patrons living on farms down endless miles of country roads. We know that this makes telecommunications services and infrastructure difficult and costly, but it is who we are, a predominantly rural people. Our way of life is as much inherited as it is chosen. Nonetheless, this does not mean that we have chosen or inherited isolation.

It would appear from the evidence provided on pages 40, 41 and 45 of the “Government of Saskatchewan, Submission To Canadian Radio-Television And Telecommunications Commission: Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas January 27, 1999” that in addition to public utilities private sector companies have also proposed a Universal Service Fund solution.

In this respect, Saskatchewan supports the September 17, 1998 proposal submitted by ACC Telenterprises Ltd., AT&T Canada Long Distance Services Company, Call-Net Enterprises Inc. and London Telecom Network Inc., as follows:

8. The Applicants submit that the Commission should implement a percentage of revenue contribution collection mechanism no later than January 1, 2000. A revenue-based mechanism is supported by the public interest favouring the funding of universal service obligations in an administratively and economically efficient, sustainable and neutral manner. Support for this contention is found in the Commission’s own criteria for a contribution collection mechanism which is articulated in Decision 92-12, criteria which not only remain valid today but which also accord closely with the criteria articulated in countries favouring a revenue-based mechanism.

76 Report of the Standing Committee on Natural Resources, March 1997

With reference to these criteria, a revenue-based mechanism is:

- a) efficient to administer;
- b) sustainable;
- c) compatible with the achievement of universal service objectives; and
- d) does not limit the pricing flexibility of any one group of market participants in favour of another.⁸²

As the Ontario Telephone Association stated:

what is important is that any threshold and resultant new system of support be applied uniformly across the country and relate to the cost of providing service rather than the size and structure of the carrier serving the territory.⁸³

In conclusion we would again petition and recommend that the Governor in Council revise the CRTC decision to ensure that Internet access for the school children of Saskatchewan's rural, remote and northern areas, and for that matter all of the children of Canada not be lost due to a CRTC decision which does not provide the certainty that school children in other countries are guaranteed by their national governments through a mechanism similar to a Universal Service Fund. We would like to conclude on the following quote from pages 39 and 40 of the "Government of Saskatchewan, Submission To Canadian Radio-Television January 27, 1999 And Telecommunications Commission: Final Argument Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas".

Evidence provided during this proceeding has demonstrated that access to the Internet is a critical element in deriving the benefits of the Information Highway.

Saskatchewan proposes that the cost of providing dial-up access to the Internet for rural and remote residents, at rates comparable to those in urban areas, be eligible for assistance from any high cost subsidy mechanism being contemplated. As the Information Highway Advisory Council recommended in 1995, "The federal government and the CRTC should work with industry to develop ways for Internet access to be made available in all rural and remote parts of Canada without the necessity of long distance telephone charges".⁸¹

82 Call-Net, ACC, AT&T Canada, London Telecom, "Joint Application for Reform of the Contribution Collection Mechanism," before the Canadian Radio-television and Telecommunications Commission September 17, 1998, p. iii

83 Ontario Telephone Association, submission to Telecom Public Notice CRTC 97-42: Service to High-Cost Serving Areas, May 1, 1998, p. 5

81 Information Highway Advisory Council, Access, Affordability and Universal Service on the Canadian Information Highway, Industry Canada, January 26, 1995, p. 48.

APPENDIX A

RE: “UNIVERSAL SERVICES FUND” FOR CANADIAN STUDENTS

WHEREAS the Prime Minister of Canada committed the federal government to ensuring that internet access was available to all Canadian school children, and

WHEREAS the CRTC has recently (October 19th, 1999) approved a regulatory regime for Canada which ensures certain basic telephone services for all Canadians, and

WHEREAS this new regulatory regime eliminates or undermines pre-existing arrangements which ensured affordable telephone and telecommunications services, and

WHEREAS other developed countries such as the United Kingdom, the United States of America and Australia has established a national cross subsidization (universal services fund) scheme to ensure that remote or rural areas were not effectively denied equitable and affordable service.

Be It Resolved that the Canadian School Boards Association support the establishment of a national “UNIVERSAL SERVICES FUND” to ensure the equitable provision of telephone and telecommunications services in all areas of Canada.

Be It Further Resolved that the Canadian School Boards Association call upon Prime Minister Chretien to fulfil his commitment of internet access to all Canadian classrooms through the establishment of a “UNIVERSAL SERVICES FUND” for all remote areas of Canada.

Be it Finally Resolved that the Canadian School Boards Association provide a copy of this resolution to the Prime Minister of Canada the Right Honourable Jean Chretien as well as the provincial premiers and territorial leaders.

APPENDIX B

APPENDIX C

APPENDIX D

APPENDIX E

APPENDIX F

U. S. TELECOM ACT – 1996, SEC. 254 (B). [47 U.S.C. 254] UNIVERSAL SERVICE.

- (b) UNIVERSAL SERVICE PRINCIPLES. --The Joint Board and the Commission shall base policies for the preservation and advancement of universal service on the following principles:

QUALITY AND RATES. --Quality services should be available at just, reasonable, and affordable rates.

ACCESS TO ADVANCED SERVICES. --Access to advanced telecommunications and information services should be provided in all regions of the Nation.

ACCESS IN RURAL AND HIGH COST AREAS. --Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.

EQUITABLE AND NONDISCRIMINATORY CONTRIBUTIONS. --All providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service.

SPECIFIC AND PREDICTABLE SUPPORT MECHANISMS. --There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.

ACCESS TO ADVANCED TELECOMMUNICATIONS SERVICES FOR SCHOOLS, HEALTH CARE, AND LIBRARIES. --Elementary and secondary schools and classrooms, health care providers, and libraries should have access to advanced telecommunications services as described in subsection (h).

ADDITIONAL PRINCIPLES. --Such other principles as the Joint Board and the Commission determine are necessary and appropriate for the protection of the public interest, convenience, and necessity and are consistent with this Act.