



W.N. (Bill) Beckman 2121 Saskatchewan Drive
Senior Director - Regina, Saskatchewan
Regulatory Affairs S4P 3Y2

Telephone: (306) 777-4208
Fax: (306) 565-6216
Internet: document.control@sasktel.com

8 April 2019

Via E-mail

Ms. Pamela Miller
Director General
Telecommunications and Internet Policy Branch
Innovation, Science and Economic Development Canada
235 Queen Street, 10th Floor
Ottawa, ON K1A 0H5

Dear Ms. Miller:

Re: ***Canada Gazette, Part I, Saturday, March 9, 2019, Proposed Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives to Promote Competition, Affordability, Consumer Interests and Innovation***

1. Saskatchewan Telecommunications (SaskTel or the Company) provides these comments on the Proposed Direction to the CRTC on Implementing the Canadian Telecommunication Policy Objectives to Promote Competition, Affordability, Consumer Interests, and Innovation ("the Direction") dated 9 March 2019.
2. This letter contains SaskTel's representations concerning the proposed Order. SaskTel will not address every point possible to be discussed in the proposed Order, but instead SaskTel will make representations on two topics that are very important to Canadians who live in various and diverse rural and remote regions of Canada.
3. At the outset, SaskTel notes that it agrees with the intent of the proposed Direction as it relates to ensuring that the CRTC continues to consider how the

- regulatory measures they implement can promote competition, affordability, consumer interests, and innovation. With that said, SaskTel has seen that “one-size-fits-all” or nationally focused regulatory measures can result in regulatory initiatives that are ill suited to addressing the needs of Canadian consumers arising from regional market differences and regional geographic differences.¹ A more appropriate path forward would be to amend the proposed Directive to ensure that these regional differences are taken into account in any decision-making process.
4. Indeed, this approach is consistent with the history of cooperative federalism in Canada seen for instance in the approach to health care, social welfare, and education. While the telecommunications regulator’s mandate is to regulate telecommunications for Canada as a whole, we are suggesting there are benefits to a regional approach with respect to implementing telecommunications regulation. We would urge the federal government to require the telecommunications regulator to bear regional differences in mind and put in place a regulatory regime that works for Canadians in any region and at the same time is one that works for Canadians in all of the other regions of Canada. SaskTel provides two such examples, below, where there are regional differences in the Saskatchewan market that demonstrate the requirement for differing approaches to regulation to ensure continued market success.

¹ For instance, Saskatchewan has thousands of kilometres of fibre optic cable providing backbone connectivity to virtually every community with a medical facility, school, or provincial government office. Yet the new broadband funding initiative proposed in the Federal Government’s 2019 Budget is focused on backbone projects. Saskatchewan does not need significant backbone investments to connect additional communities. It needs investment support for uneconomic projects that will take 50/10 broadband to the farmers living in the very sparsely populated rural areas between the communities. This is not likely to be the same type of investment as is required to bring 50/10 broadband to the residents of southwestern Ontario.

Regional Competitive Market Differences

5. In the news release that accompanied the Proposed Policy Directive, the Honourable Navdeep Bains noted the CRTC would be required to:

... consider competition, affordability, consumer interests and innovation in its telecommunications decisions and demonstrate to Canadians that it has done so. Competition is the best way to bring down prices of telecommunications services, including cell phone plans. In regions with strong competition, wireless data plans are up to 32% cheaper than the national average.²

6. Saskatchewan is one of the regions where there is strong competition in the wireless services market. SaskTel, as the small regional ILEC in Saskatchewan, faces strong competition in the wireless services market from the Big 3 carriers and their flanker brands. Given the vigorous competition between 4 wireless carriers (3 national service providers and the strong regional service provider), Saskatchewan residents on average pay approximately 45% less than residents in Ontario for a comparable plan³.

7. Regional differences must be taken into account when developing policy positions, especially in situations where there is strong evidence that regulatory intervention is not required to meet policy goals. In the case of Saskatchewan, the wireless market is already competitive, resulting in lower prices and rigorous competition amongst market participants for consumers' business. Additional regulation focused on further decreasing prices, reducing barriers to entry and ultimately increasing the number of competitors in such a market may have the potential to artificially distort a market that has become competitive on its own. Ultimately this distortion could undermine further innovation and further investment in wireless networks within Saskatchewan.

² Government of Canada proposes new CRTC direction to put Canadians at the forefront of future decisions, News Release, ISED, 26 February 2019

³ Based on a review of similar priced plans between all providers in Saskatchewan and Ontario as of 4 April 2019.

8. As acknowledged in Minister Bains' statement, competition is being seen to provide beneficial consumer outcomes in areas where there are 4 healthy service providers. It is not sufficient to promote competition. Great care must be taken to ensure that a national regulatory policy does not have an unintended consequence of distorting the existing market dynamics and weaken the existing 4th regional carriers.

Different Regional Infrastructure Investment Requirements for Coverage and New Services

9. This is especially true with respect to the rural and remote areas of the province. While residents in these areas today do enjoy the benefits of the same level of competition as their more urban counterparts, the business case to increase capacity, extend coverage, and innovate to provide new networks and services such as 5G are already constrained by the high cost of providing service with limited revenue opportunities in these areas due to low population densities over a large dispersed geography. Coverage and new service capabilities will not be delivered through wholesale policy development where the fundamental business case will not sustain investment. Should the policy direction go forward as envisioned, it could result in further degrading the business case to expand and innovate in rural and remote areas of the province.
10. This is true not only for wireless networks, but also wireline broadband networks. Much of Saskatchewan's population density in rural and remote areas of the province is such that the cost of providing broadband and wireless services is challenging. Investment in infrastructure is required to bring 50/10 broadband to the farmers living in the areas between the communities. Simply put, the business case to serve these areas is already a negative one. Adding further regulatory measures focused for instance on improving the state of competition through increased wholesale access in these areas will not spur further investment in infrastructure needed to provide the services in rural and remote areas. In fact, we suggest that in certain regions of the country, such as rural

- Saskatchewan, a monopoly service model is the lowest cost option going forward and most effective policy tool to ensure the continued investment required to provide 50/10 broadband and the advanced services enabled through deployment of new technology and networks.
11. The Proposed Order should require the CRTC to consider the measures most appropriate to promoting the investment required to ensure all Canadians can receive 50/10 broadband service and have access to modern innovative services provided on modern advanced networks. Innovation in pricing and business models is not the same as innovation in service through investment in new technologies. Canadians living in rural and remote areas should not be deprived of or delayed in the receipt of the benefits of investment in new technology and infrastructure that will inevitably result from a policy that can only address the issues that affect the most populated areas of Canada.
 12. Innovative and modern telecommunications services require continuous investments in network infrastructure. Coverage in rural and remote areas requires investments in network infrastructure. To ensure that Canada does not fall behind as a consequence of implementing measures to promote consumer interests, the policy Directive should recognize the need for investment in coverage and new technology.
 13. Given these realities, SaskTel proposes that the Government amend the proposed direction to ensure that regulatory measures take into account differing market realities and regional differences to promote competition, affordability, consumer interests, and innovation.
 14. SaskTel suggests therefore, that the policy be amended to take into consideration provincial and regional markets and encouraging infrastructure investments for coverage and innovative services.
 15. In particular, SaskTel proposes the following amendments to the Direction (changes are bolded and underlined):

Principles

1 In exercising its powers and performing its duties under the *Telecommunications Act*, the Commission must implement the Canadian telecommunications policy objectives set out in section 7 of that Act, in accordance with the following:

(a) the Commission, when relying on regulation, should consider how the measures used can promote competition, affordability, consumer interests and innovation, namely the extent to which they

(i) encourage all forms of competition, **and infrastructure investment**

(ii) foster affordability and lower prices, particularly when there is potential for telecommunications service providers to exercise market power,

(iii) ensure that affordable access to high quality telecommunications services is available,

(iv) enhance and protect the rights of consumers in their relationships with telecommunications service providers,

(v) reduce barriers to entry and barriers to competition for new and smaller telecommunications service providers,

(vi) enable innovation in telecommunications services, including new technologies and differentiated service offerings,

(vii) **may differ between Provinces and regions to achieve the telecommunications policy objectives**, and

(viii) stimulate investment in research and development and in other intangible assets that support the offer and provision of telecommunications services; and

(b) the Commission, when relying on regulation, should demonstrate its compliance with this Order and should specify how the measures used can, as applicable, promote competition, affordability, consumer interests and innovation.

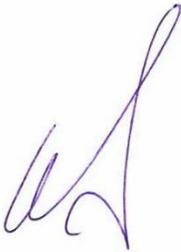
Effect of Order

Effect

2 This Order is binding on the Commission beginning on the day on which it comes into force and applies in respect of matters pending before the Commission on that day.

16. In summary SaskTel urges Cabinet to consider that regional differences must be taken into account with regards to the Direction to ensure continued investment occurs in these markets

Sincerely,



W.N. (Bill) Beckman
Senior Director - Regulatory Affairs
KS/nb