

Federal Budget Consultations 2011

Executive Summary

In its submission, Saskatchewan Telecommunications (SaskTel) highlights aspects of government policy and programming expenditures which impact the base infrastructure needs of Saskatchewan residents and their ability to participate in the digital economy.

SaskTel is asking that there be a renewed focus on rural telecommunications policy. We need policies and programs that address the economic realities of rural areas of Canada like Saskatchewan. Equally important is improving broadband and digital economy skills for First Nations.

In order to meet Canada's goals for all citizens to participate in the digital economy, SaskTel believes the following three recommendations are critical:

1. Spectrum Auction

Too much spectrum is unused in rural Canada.

The 2012 spectrum auction should be an open auction that will maximize revenues for the federal treasury BUT with special rules for some of the spectrum to ensure rural deployment actually occurs and is taken into account in the bidding process.

2. Rural Broadband

There must be an ongoing commitment to those that create significant wealth for Canada – rural residents. It is widely recognized that the inability of the market to accommodate low population densities has led to a growing digital divide between rural and urban Canada.

What is required is an ongoing program to upgrade broadband capacity in rural and remote areas. Current broadband targets of 1.5 Mbs. are already being outpaced by demands.

3. First Nations Connectivity

First Nations communities are an increasingly important part of the social and economic fabric of Canada. Advanced communications services, particularly broadband, have proven to be an efficient and cost-effective way to improve the delivery of services such as health and education as well as contributing to First Nations economic development and self-government initiatives.

Continuing federal government support of broadband and digital economy skills for First Nations will allow them to participate in and contribute to the digital economy.

Introduction

SaskTel believes that the issues raised in this set of budget consultations are critical at this stage of Canada's development. Creating a sustained economic recovery, with quality jobs, should be viewed as an opportunity to develop new future directions and to strengthen the digital economy as one of the foundations for economic growth, job creation, global competitiveness and a better way of life. The digital economy is enabling entire new industries and unlocking vast new possibilities for existing ones. A strong digital economy can also change how we educate children, deliver health care, manage energy, ensure public safety, engage government, and access, organize and disseminate knowledge.

In Saskatchewan, our economy is based primarily on resources - be they in agriculture, potash, uranium or even eventually diamonds. All of these industries are in rural areas and are increasingly dependent on the availability of leading edge information and communication technologies (ICT's).

The public discourse on telecommunications policy today seems to centre on whether someone can watch unlimited movies at home or is able to access multiple wireless service providers. All of our efforts seem to focus on areas where there is no real wealth creation or economic development.

Our rural areas form the foundation of our economic growth. Affordable access to ICTs is paramount to sustaining this growth. Government policies must recognize that in rural areas, market forces alone will not result in telephone, cellular or internet services which are reasonably similar in terms of affordability or performance to urban areas. Unlike urban markets, there is a need for national policies to stimulate the abilities of companies to provide rural services.

In urban areas, the private sector is already building a world-class, leading edge infrastructure. Rural areas continue to lag behind because there are no economic margins to stimulate infrastructure growth. Also telecommunications policies try to treat both urban and rural markets the same way – that just does not work.

SaskTel is suggesting that federal programs and policies recognize the realities of development in rural areas in order to stimulate growth.

In addition, SaskTel firmly believes in the importance of our First Nations in Saskatchewan and their significant contributions to our Province. Saskatchewan's First Nations offer a home-grown solution to our province's ongoing talent challenge and will help meet the needs of a growing province. This will not happen without the proper tools and support that improved connectivity can provide.

SaskTel believes that the Government of Canada must create consistent and ongoing policy instruments that recognize the differences between areas where market forces may function effectively and areas where they do not.

Recommendations

❖ Spectrum Auction

New cellular services are rapidly becoming the heart of economic development in rural and northern areas. To ensure that these services are available, there is a desperate need for the Government of Canada to recognize rural requirements in the upcoming spectrum auction. Spectrum is an increasingly scarce resource for new leading-edge cellular services, yet the way in which spectrum is auctioned leaves great sections of spectrum unused as buyers focus on the urban portions of their serving areas to the detriment of rural residents. As an example external companies are presently hoarding more unused spectrum in Saskatchewan than will be offered in the entire upcoming auction of new spectrum.

The blocks in which spectrum is sold includes both rural and urban areas. They can stretch from Edmonton to Lloydminster or Regina to Swift Current. New entrants tend to focus on urban areas leaving the rural areas to fallow. In some cases some of this spectrum has remained unused for over 20 years.

SaskTel is asking that:

1. Auctions should be held as soon as possible in 2012, SaskTel and rural Saskatchewan needs access to that spectrum now.
2. The auction structure should recognize the difference between rural and urban markets. The market is very different in the rural areas than the markets in Montreal or Toronto or even Saskatoon for that matter. This can be reflected in the conditions of licence or the creation of the spectrum blocks themselves.
3. Given the need for spectrum those who purchase spectrum should have to use it within 5 years. Spectrum use should be up to 90% in some spectrum blocks to ensure that rural residents are not bypassed.
4. There should be no spectrum caps or set asides for spectrum. SaskTel, as an example, has various types of spectrum but it is the only company using that spectrum in most of deep rural Saskatchewan. The 700 spectrum in this auction is ideally suited for rural deployment and SaskTel must be allowed to bid on that spectrum to service rural customers.

It is our belief that these auction policies would have very limited or no impact on the Federal Government's objective toward balanced budgets. The billions of dollars from the spectrum auction are associated with the largest markets in Canada.

❖ Rural Broadband

SaskTel was disappointed in the recent CRTC decision in the local service proceeding to not take any concrete steps to expand broadband to rural and remote areas but only continue to watch developments until 2014. Already the digital divide between rural and urban residents is continuing to increase. Urban residents and businesses can easily access 25 to 100 Mbps services while the farmer whose livelihood increasingly depends on immediate access to grain markets can access 2 Mbps or less. By 2014, fibre to the

home will expand services in urban areas to 100 Mbps or even 1 Gbps for some businesses. Rural access will remain relative stable at current low levels with perhaps some increases in satellite coverage. This will cause business development, education and healthcare delivery in rural areas to forgo many of the productivity gains which can be associated with the new digital economy.

There is a need for an ongoing program to upgrade broadband capacity in rural and remote areas given that broadband is always likely to lag behind developments in urban areas. We would suggest using the proceeds from the spectrum auction for this purpose.

❖ First Nations Connectivity

Inequalities between First Nations and non-First Nations Canadians persist in every province and territory throughout Canada. Educational attainment for First Nations lags behind the averages for the Canadian population as a whole – for example, only 7.2% of First Nations people have received a university degree compared to 23.4% of all Canadians. The 2006 median income for First Nations people was 30 per cent lower than the median income for the rest of Canadians. Access to health care is an issue faced by many First Nations – it has been recently reported that almost 1 in 5 First Nations adults had no doctor or nurse in their area.

Access to bandwidth and thus the digital economy can provide remote educational opportunities, e-health services and new business opportunities for First Nations.

First Nations are the fastest growing demographic in Canada, and Canada cannot continue to be productive without addressing such socio-economic gaps.

Broadband is seen not only as a cost-effective method of service delivery but as a tool for economic development and self-government opportunities. First Nations youth should enjoy the same life chances as other Canadian children – to explore the endless opportunities associated with the digital economy.

Over the past several years, SaskTel, First Nations communities and federal agencies have collaborated to provide broadband access on many Saskatchewan First Nations and, like elsewhere, this infrastructure will need to be upgraded and improved in order to provide the best possible services and opportunities.

Continuing federal government support of broadband and digital economy skills for First Nations will translate into positive contributions to the Canadian digital economy down the road.

Conclusion

SaskTel is committed to working with the federal government to develop a strong, dynamic digital economy.

In our submission, we have focused on various aspects of government which may impact the base infrastructure needs of Saskatchewan residents and their ability to participate in the digital economy.

SaskTel is suggesting that Federal government policy recognize the major differences between rural and urban markets, and the important role that improved broadband connectivity can play in providing opportunities for First Nations to be part of and contribute to Canada's prosperity. The application of this policy must be sustainable over the long term to ensure that the major creators of wealth in Canada, rural people and First Nations, are able to succeed and grow.