

## **Closing Comments**

Presentation of the CRTC (Summary of Intervention):

### **Eeyou Communications Network**

**July 3, 2013**

Reference: Notice 2012-669: Review of Northwestel Inc.'s Regulatory Framework, Modernization Plan, and related matters

*7 pages (including cover page)*

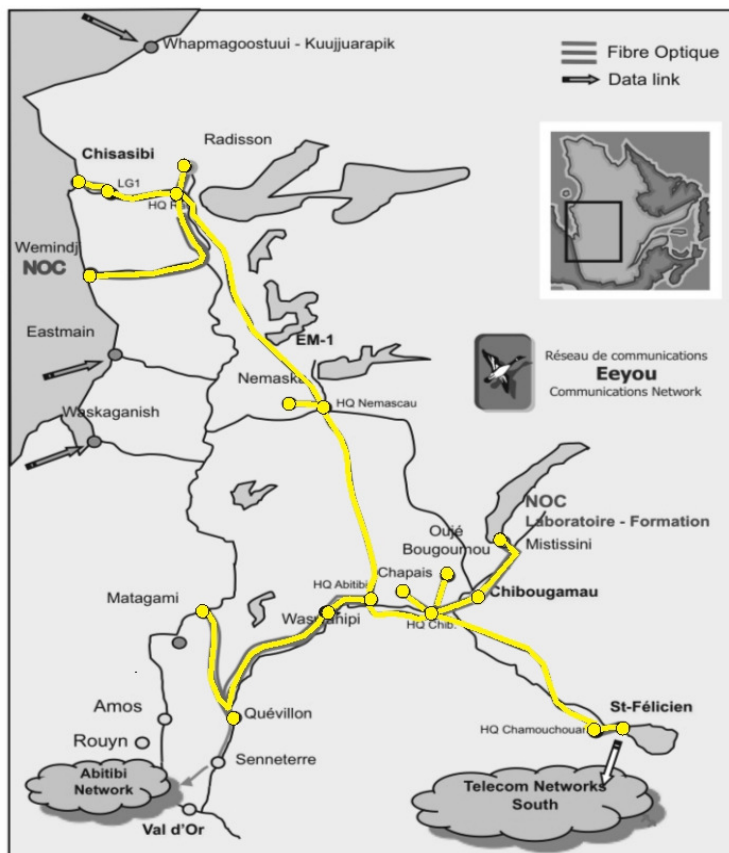
## **Statement of Intervention**

1        The Intervenor declares that this summary of its position is a representation of the purpose and aims of its intervention. It also confirms its response to questions by the Commission, and to comments by other Intervenors.

## **Description of Intervenor**

2 Eeyou Communications Network / Réseau de Communications Eeyou, (ECN) a non-profit association, operates a regional fibre-optic network servicing northwestern Québec area of the James Bay territory (Eeyou Istchee), registered with the CRTC as a non-dominant carrier. It is a backbone service and Internet wholesaler.

3 ECN is currently operating as designated in the following map:



## **The “National Contribution Fund” Subsidy Issue**

4 The National Contribution Fund subsidy issue is the principle focus of the ECN intervention. The intervention responds to the position raised by Northwestel in this application, in previous applications as well as in the first Bell-Astral media sale application: *its proposal to use its subsidy to support its broadband services.*

5 ECN recognizes that this issue was cached within the arguments of Northwestel to support some network improvement issues. However, as a non-profit association that operates a non-dominant carrier in northern Quebec, ECN did not comment on the network improvement issue as this issue is regional and outside ECN territory. Rather ECN spoke directly to the issue of subsidies as it pertains to community networks inside the Northwestel area as well as networks across Canada.

6 Commissioner Duncan noted:

1952 .... I don't see that you're raising any issues specifically to deal with Northwestel. What I'm understanding from your presentation is that you would like access to the National Contribution Fund. ....

Hyman Glustein replied:

1959 .... These are issues that not only pertain to the Northwest Territories. I mean, they pertain anywhere in Canada that the local community networks can actually deliver service comparable to what these telcos are delivering.

7 And Chairperson Blais stated at the conclusion of the ECN presentation:

1963 THE CHAIRPERSON: Just to be clear, I understand your position. I'm wondering if you're suggesting that we, in the context of this proceeding, we should be considering your request.

1964 I have heard others, and I have read other submissions suggesting that the sort of issues you're bringing to the fore would best be dealt with in a more national proceeding and a policy proceeding perhaps even, to look at this issue more broadly.

8 The subsidy issue goes beyond this application. It is of national concern and applies everywhere in Canada, whether in the Northwestel zone or in any other part where rural, isolated and remote communities fail to receive the same level or type of services available in urban centres.

9 Further it is important to note that while the NCF initially addressed telephone services, it has been changed and adapted over a period of years to address contemporary usage. ECN proposes that it now include competitive broadband transport and distribution.

10 ECN proposes that the CRTC continue to adapt the NCF, so that it can continue as a tool to reduce costs for consumers in remote, rural and Aboriginal communities and that the Commission consider developing more effective methods for delivering its benefits.

### **Rebalancing and Effectiveness of the Subsidy**

11 The goal of this subsidy program is to rebalance the cost of delivering telecommunications services so that it is affordable and available. In simple terms, it is a provision to allow consumers to access the telecommunications services across Canada at a reasonable tariff.

12 For many northern telcos, the Fund has now become a revenue staple, a virtual form of corporate welfare. As PIAC stated in their presentation:

2937 MR. LEGER: We submit that the Commission's focus in this proceeding should be on improving services for the company's customers and not on maintaining an arbitrary level of capital intensity.

13 Our position is that the National Contribution Fund subsidy needs to be more than a revenue line item for telcos. To be effective, it must be efficient and have a direct consumer impact.

14 For a profit-making enterprise, revenues are expected to exceed expenses. For subsidies to be effective in limiting cost to consumers, they require regulatory overview and tariffs.

15 For a non-profit body, revenues are supposed to equal expenses. A subsidy to a non-profit network is passed along to the consumer at the rate of 100%; and this without the burden of added regulatory issues.

16 As Mr. Cedric Melançon of the ECN told the Commission:

1913 .... as a non-profit, our revenues reflect our expenses. Although our tariffs are a significant improvement over what was previously available, they are still not at par with what could be expected in high population density areas.

1914 For this reason, we ask this Commission to consider developing policies to allow alternative networks in remote regions such as ours to provide contemporary telecommunications services at rates comparable to what is available to most Canadians.

17 In order that subsidies serve consumers to access all of the networks that may exist in their communities and not only the telcos who may be the ILEC, we recommend that the Commission develop policies that insure that all of the benefits of the subsidy reach the consumer and that these benefits are measured fairly.

18 Subsidies to non-profit community groups produce benefits to the local economy such as creating local and permanent jobs, encouraging local investment and betterment of the community. As Lyle Fabian, former Band councilor and IT manager from K'atl'odeeche First Nation near Hay River in the Northwest Territories, told the Commission:

2960 .... I guess the final point I would really like to make is that an investment in First Nations participation in technology and telecom is not at the expense of anything else.

2691 First Nations have always been the most permanent residents of their territories. They cannot take their territory to the Caribbean. They stay where they are and they actually spend almost all of their money exactly where they are and they invest in their people, their communities and their territories.

2692 So any investment in First Nations ends up being an investment in the region and that ends up being a permanent investment. There is very little chance or risk of any of that investment flowing anywhere else or not being implemented or benefitting that region specifically.

19 Delivery of a service should not be based on whether the recipient of the subsidy funds can turn every delivery into a profit centre. Northwestel has made the case that even with subsidies, its service plans are not based to the remoteness of the community or its requirement for service, rather, for them, the issue is profitability. There is no consideration or allocation for goodwill in their business case, as stated by Mr. Flaherty:

652 MR. FLAHERTY: The challenge comes back to the business case on those other projects. As I said, the modernization plan that we put forward was very much aimed at where we could make a return on the investment that we have made.

### **Insuring the Benefits of a Subsidy Reach Consumers**

20 The ECN position is that the policy to provide subsidy funds directly to telcos has not produced the benefits that were intended. It has resulted in promoting a corporate dependence on these funds to maintain profitability while avoiding risk, often at the expense of remote and rural communities. It has in many cases impeded services development to certain isolated remote areas, allowing telcos to move into other less-risky more-profitable services (retail Internet, cable TV) with bundled offerings that cloud the issue of fair pricing.

21 In order to measure whether a benefits program is effective without encumbering the Commission with additional regulatory issues, a range of measures could be adopted. For example, the Commission could divest the management of the fund, as it had in the Community Radio Fund (CFRC) with an independent licensee responsible for the fund that represents all concerned, including non-profit community networks. Other ideas were also put forth at the Hearing by Intervenors. We encourage the Commission to open a national dialogue on the policy of subsidies and implementation; and that the CRTC invite all non-profit community networks to discussions to explore their views on this critical issue.

### **Conclusion**

- 22 ECN proposes a series of open national discussions concerning:
- delivering high-quality open-access broadband to remote and rural communities;
  - developing policies to have equitable access to subsidy funds;
  - sharing infrastructure and resources between community groups and telcos;
  - encouraging telcos to be open and participatory with the communities; and
  - making subsidies more cost-effective to bring down the price of broadband services.

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