



Government of Northwest Territories
Gouvernement des Territoires du Nord-Ouest

Telecommunications in the Far North, Phase II, Telecom Notice of Consultation CRTC 2022-147

Opening Statement of the Government of the Northwest Territories

**Delivered by William MacKay
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Secretary of the Financial Management Board
Government of the Northwest Territories**

**Kwanlin Dün Cultural Centre
Whitehorse, Yukon**

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Good morning Madame Chair, Commissioners and CRTC staff. Welcome to what the Commission refers to as the Far North, which we call home.

My name is William MacKay, and I am the Deputy Minister for the Department of Finance of the Government of the Northwest Territories (GNWT). With me today are Dave Heffernan, the Chief Information Officer for the GNWT, and Jason Doiron, Director of Governance, Planning and Security. Joining us remotely is Edgardo Sepulveda, who leads our team of regulatory consultants.

The GNWT is a long-time participant in proceedings before the CRTC. We have consistently made submissions in support of services for residents and businesses of the Northwest Territories that compare favourably to those in the South in terms of affordability, quality, and reliability. Our vision is to have a telecommunications sector in the Far North that provides reliable and affordable broadband services, along with genuine choice of service providers that can promote local and Indigenous entrepreneurship.

Telecommunications services are integral to many Northerners in ways not always appreciated in the South. They shape our ability to communicate with one another, and the world. This is especially the case for our most remote communities, many of which are only accessible by plane and where telecommunications provide the only means of accessing government, healthcare, financial, education and training services. This was underscored by the COVID-19 pandemic.

Accordingly, we understand the critical need for high quality, reliable services. It is for this reason that, during the hearing to review Northwestel's regulatory framework 10 years ago, the GNWT said it was *"looking to build a fibre line through the Mackenzie Valley because the area is inadequately served."* We followed through on that pledge. The GNWT partnered with Leducor and Northwestel to design, finance, build, and operate the Mackenzie Valley Fiber Link— a 1,154-kilometre link from McGill Lake to Inuvik, completed in 2017 at a cost to the GNWT of over \$100 million.

In the rest of our time today, I want to focus on what we consider to be the four key themes in this proceeding: Indigenous Reconciliation; Affordability and Subsidies; Quality and Reliability; and, finally, Competition and Wholesale Access.

Our first theme relates to Indigenous Reconciliation

Half the population of the Northwest Territories is Indigenous. High broadband prices in the Far North exacerbate the considerable affordability challenges faced by Indigenous households. The GNWT's two broadband subsidy proposals, which I will cover in a few minutes, would improve affordability for Northerners in general, but also Indigenous households in particular.

As you are aware, on March 27, the Auditor General of Canada released four performance audit reports. One of these was a report titled *Connectivity in Rural and Remote Areas*. In this report, the Auditor General looked at whether ISED and the CRTC had improved the accessibility, affordability, and quality of high-speed Internet connectivity. She found that, while connectivity improved in urban areas, the Federal Government's 2019 *Connectivity Strategy* has yet to deliver comparable results for many rural and remote areas, as well as Indigenous communities.

The Auditor General made a number of recommendations, all of which were accepted by ISED and the CRTC. One recommendation – which the GNWT welcomes – was to improve the collection of data in rural, remote, and Indigenous communities to measure progress against the *Connectivity Strategy's* affordability objective. The GNWT's Bureau of Statistics collects some of these telecommunications and related data not generally collected by federal entities. We therefore encourage the CRTC, ISED and Statistics Canada to increase their collaboration and coordination with our Bureau of Statistics.

These types of specialized units matter, which is why the GNWT supports the call made by many Indigenous organizations to establish a dedicated Indigenous unit within the CRTC. Such a unit could lead and consult on Indigenous matters and data collection and could help to support the recently proposed Indigenous set-aside for Broadband Fund projects. The Far North likewise has unique telecommunications challenges that deserve the attention of a dedicated team that fully understands them. Accordingly, we have also proposed that the CRTC establish a Far North unit that could coordinate data collection and offer leadership on Northern policy matters. For reasons of efficiency, we propose that these two functions could be combined into one “Indigenous and Far North” unit.

Our second theme today is Affordability and Subsidies

Broadband prices are much higher in the Northwest Territories than in the South. We are only now getting a full picture of the magnitude of this difference. Until this year, the annual ISED-commissioned *Price Comparison Study* included data for six Southern cities and seven other countries. So, we could compare prices in Montreal to those in Sydney, Australia or Berlin, Germany. But we could not compare prices in Yellowknife or Inuvik to those in Montreal or

Toronto. To close this gap, we collected pricing data for the Northwest Territories that were directly comparable to the ISED *2021 Study*.

The results were illuminating. We found that residential broadband prices were 37% higher in Yellowknife than in the South, a difference that has increased to 48% in ISED's latest *2022 Price Comparison Study* (which included the territorial capitals for the first time). But that *Study* only covered residential services. Our analysis also looked at small business Internet packages and found them to be priced 130% higher in Yellowknife than in the South. More than double.

Some of our residents and small businesses have the means to pay such high prices, but in a country that aspires to equity, they should not have to. For many Northerners – including many Indigenous peoples – these higher prices constitute an economic hardship. Far too many go without, resulting in Internet take-up rates much lower than in the South.

The Auditor General's *Connectivity* report noted that, although ISED had recognized affordability as the number one challenge in rural and remote areas, its *Connectivity Strategy* did not include any national indicators or targets to evaluate whether its affordability outcomes were being achieved. Consequently, she recommended that ISED and the CRTC collect and analyse data – including on household income – to measure progress against this affordability objective. The GNWT wholeheartedly agrees, which is why we provided a number of metrics in our submission that could form the basis for an affordability standard, including household income, expenditures, and general cost of living.

We think that these metrics provide evidence of two distinct affordability challenges in the Northwest Territories that merit attention from the CRTC. Such an intervention would be consistent with the recently issued *Policy Direction to the CRTC* that required the Commission to promote affordable access “*in all regions of Canada, including rural areas, remote areas and Indigenous communities*”.

The first challenge arises because Internet prices are much higher in the North than in the South. While it is true that residents of the Northwest Territories have higher average incomes, we also pay more for food, shelter, and other essentials. Compared to the South, this means we spend a greater part of our remaining income on broadband. That is not equitable. It is why we are proposing the Commission establish a portable, universal Internet subsidy in the Far North, financed by the National Contribution Fund.

The second affordability challenge is faced specifically by low-income households, for which the burden of higher Internet prices is often simply too overwhelming. A recent Digital NWT survey showed that price, rather than a lack of interest or availability, is the main reason why households in smaller communities in the Northwest Territories do not have Internet service. This especially applies in the case of Indigenous households, that have low Internet take-up rates of only 63%. Our preferred option is for this low-income challenge to be addressed by operators themselves. In the South, eligible households have access to discounted Internet service rates via the *Connecting Families* program. To date, however, Northwestel has indicated that it would not voluntarily join this program or implement a similar program.

We do not find it acceptable that, while Southern low-income households have access to such a program, low-income households in the Far North do not – even though many are Indigenous and face unique challenges because of remoteness and environmental conditions. It is for this reason that, in the absence of Northwestel committing to participate in *Connecting Families*, we are proposing that the Commission establish a portable, low-income Internet subsidy financed by the National Contribution Fund to cover the Far North. This program would be additional to, and separate from, the universal Internet subsidy we discussed earlier.

Our third theme today is Quality and Reliability

Because telecommunications are integral to the lives of Northerners, being cut off from the outside world due to system outages can be dire. In fact, some residents from remote communities have noted that outages can be potentially life-threatening. Improving service reliability is one of the reasons why the GNWT built the Mackenzie Valley Fibre Link.

But no one party can do it all, which is why we have made a number of proposals to improve reliability. This includes measures that improve responses to network outages and supporting investments in redundancy to reduce service disruptions.

The GNWT calls on the Commission to consider the implementation of a more comprehensive approach to addressing network outages. For example, this could require network operators to maintain monitoring systems that automatically register outages; initiate specific processes for alerting users; and help to remediate root causes. Because many NWT residents and Indigenous organizations have voiced concerns about transparency, such a framework should also prioritize communications about the restoration of services, as well as help customers to better understand the steps that were taken to identify and resolve root causes.

In addition, the GNWT supports the Great Slave Lake Fibre redundancy project that is critical to maintaining resilient connectivity for 75% of the population of the Northwest Territories, including Yellowknife. We also support the exploration of other initiatives that would improve redundancy in the Northwest Territories and the Far North.

Our fourth, and final theme is Competition and Wholesale Services

We welcome the Commission's objective of exploring ways to enhance competition in the Far North. We think that increased competitive choice is not only needed, but also demanded by Northerners.

Geographic, economic, and environmental conditions in the Far North limit the potential for competitive new entry. While we welcome the promise of Low Earth Orbit satellite services, we believe there must be greater competitive choice in the provision of terrestrial – especially fibre-based – services that offer faster speeds, higher capacity, and greater reliability. In our view, the only practical and feasible means of achieving this objective in the Far North is by introducing a comprehensive wholesale regime, comparable to that in the South.

The 2023 Federal Government's *Policy Direction* requires the Commission to foster fixed broadband competition and, more specifically, to maintain a wholesale broadband services regime for this purpose. In response, the Commission has launched a proceeding to review and improve the wholesale broadband services regime in the South, which includes the objectives of better fostering wholesale-based competition not only in urban areas, but also rural, remote, and Indigenous communities. We support the objectives of this proceeding and believe a similar wholesale regime – covering both high-speed access and transport services – should apply to the Far North.

We believe that wholesale services competition will provide not only greater choice in the Far North, but also lower prices, better quality, greater innovation and investment, and new opportunities for local and Indigenous entrepreneurs.

To conclude,

We thank you for your attention and are now available to respond to any questions you might have for us.

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