

# **Ontario Federation of Agriculture's**

**Submission to the:**

**Canadian Radio-Television and Telecommunications  
Commission**

**Regarding:**

**CRTC Telecom Public Notice 97-41  
Review of the Contribution Regime of Independent Telephone  
Companies in Quebec and Ontario**

**October 30, 1998**

The Ontario Federation of Agriculture (OFA) welcomes the opportunity to present this submission to the Canadian Radio-Television and Telecommunications Commission (CRTC) regarding the Ontario Telephone Association's (OTA) proposal to improve basic telecommunication services in areas of Ontario served by independent telephone companies. We hope the information and advice offered will be reflected in the Commission's decision.

The OFA is the voice of Ontario farmers. Supported by more than 44,000 farm family members and 30 affiliated organizations the OFA has a long history of representing farm family concerns to government and the general public. The OFA traces its roots back to the Ontario Chambers of Agriculture, established in the 1930s. Active at the local level through 48 county and regional federations, the OFA is also a member of the Canadian Federation of Agriculture, the farmers' voice on national affairs.

## **1.0 Introduction**

Our submission will address what we see as the key issues in OTA's proposal for Ontario farm families and their communities - the need to provide rural Ontario with access to an affordable, modern telecommunications infrastructure. In the current and developing information age, telecommunications offer rural communities the opportunity to overcome the development barriers of distance and low population density.

Telecommunications can connect rural communities to the world, facilitating information exchange and development. The applications are endless: education and training, health care and social services, broad-based information access, and business development, to list a few. It is a tool which rural businesses and citizens can utilize to participate directly in national and global economies. As an electronic highway, telecommunications allows urban-based industries and customers to access rural products, services and markets more easily. Without a modern telecommunications infrastructure, however, rural communities will be left behind and denied the prosperity and quality of life opportunities which new technologies have created.

Rural Ontario is currently disadvantaged in its access to modern telecommunications infrastructure. A significant number of households are serviced by two- and four- party lines, pay mileage charges in addition to basic monthly charges for single line services, and incur long distance charges for calls to local service centres. In effect, these conditions make it difficult for farm and rural residents to access the variety of electronic communication services that are fast becoming a regular feature of life and business. While Bell Canada's Service Improvement Program acts to address many of these issues, it does not apply to residents serviced by independent telephone companies. We believe that rural residents should not be disadvantaged by a lack of these necessary telecommunications services, just because they are serviced by an independent telephone company. We also would like to see a system which

encourages long distance competition in rural areas, so residents are able to choose the service provision which best suits their needs.

The OFA has worked closely with Bell Canada over the last few years, endorsing their Service Improvement Program to better the telecommunications infrastructure supporting their customers in rural Ontario. The OFA has also worked with the OTA to ensure that farmers and rural residents have access to the same telecommunications services as those who live in the city, as well as in areas served by Bell Canada.

It is our understanding that the OTA submission now before you seeks Basic Access Service Improvement, which includes the following:

- elimination of mileage charges;
- expansion of local calling, by virtue of the designation of Natural Calling Centres and Calling Corridors;
- the introduction of individual-line service on demand; and
- rates that do not exceed those of neighbouring/similar Bell Canada service areas.

The OFA would also like to see a telecommunications system which encourages competition in long-distance service provision across Ontario. These are the kinds of improvements many of our members need today. Farm families and businesses require world-leading telecommunications services to work at home, attract new business opportunities, and compete in today's global marketplace.

We recognize that this submission does not apply to all independent telephone companies. However, OFA endorses the provision of affordable telecommunication services which are equitable to those services provided to urban customers, regardless of who is providing the services. The OFA also has concerns regarding the ability of some independent telephone companies to finance such crucial improvements given their small customer base. It would like to stress the importance of ensuring the implementation of modernizing telecommunications while maintaining an affordable rate to rural residents and business owners.

We hope the CRTC will favourably review the Ontario Telephone Association's submission for Basic Access Service Improvement, and approve a plan to improve these services as soon as possible.

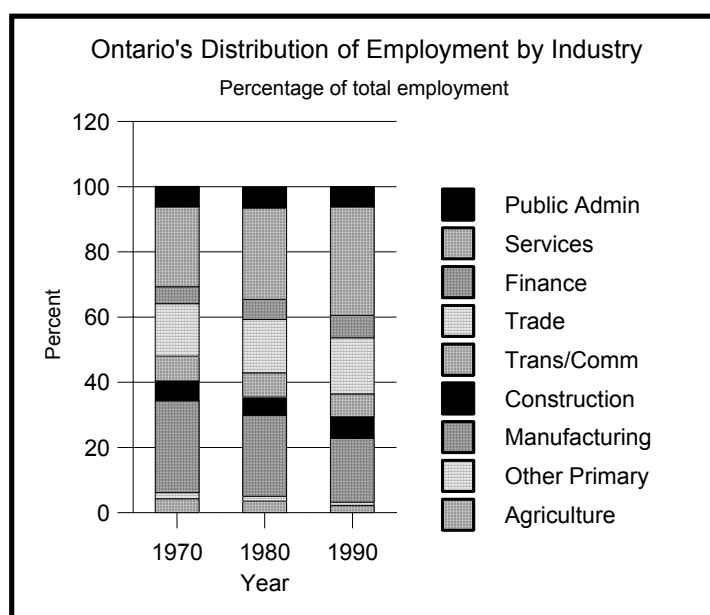
## **2.0 Agriculture and Rural Areas**

Agriculture remains the most important primary industry in Canada, not only in terms of land area affected, but also employment and gross domestic product. The Ontario agricultural sector has grown and developed into a world-class industry providing safe,

economical food for consumers. The agri-food sector is important to both the rural economy and the Ontario economy as a whole. For example, in 1996, the agriculture industry provided \$2.8 billion in Gross Domestic Product (GDP) while food and beverage processors and agricultural input suppliers contributed another \$6.3 billion in GDP. In total, the agri-food sector contributed 13 per cent to the Goods and Service Producing sectors of the Ontario economy<sup>1</sup>.

A significant number of Canadians make their homes in rural areas. More than eight million people, or 33 per cent of the Canadian population, live in rural areas. Of these, 16 per cent were adjacent to metro areas. These figures do not vary considerably for Ontario.

The primary sectors in rural areas are still the main stimulus for economic and employment generation. In 1991, 27% of the rural workforce was involved in goods-producing sectors while this was equal to only 20% in urban areas of Ontario. Ontario's employment distribution for primary and service sectors over the last 20 years is shown in Figure 1.

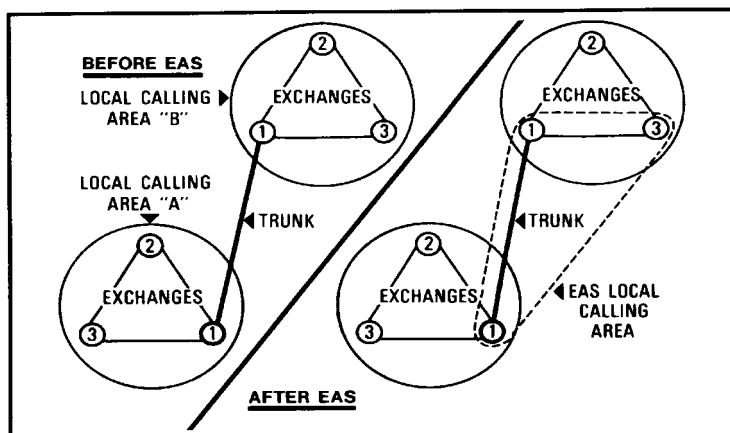


**Figure 1**

The agricultural sector is linked to other sectors of the economy. This creates a multiplier effect. For example, though the service sector is growing rapidly, it serves primary sectors, such as agriculture. This fact must be recognized. Generally, it appears that agricultural employment is declining. However, out-sourcing is occurring where Ontario farms are being serviced by firms categorized as part of the service sector. These firms provide a whole range of services to farms, including computer programming and equipment repair, computer maintenance, and telecommunications.

Several characteristics make rural communities different from urban areas. For example, greater distances between centres and lower and scattered population make providing single lines more expensive because of the longer cable loops required. This

<sup>1</sup> Ontario Ministry of Agriculture, Food and Rural Affairs. 1994. Agricultural Statistics for Ontario. Publication 20. Queens's Printer for Ontario, 1995.



**Figure 2**

in turn reduces the advantage of volume concentration. Because of this and regulatory changes, much less upgrading and modernization have occurred in rural areas of the province.

Long distance charges (LDC) are common expenses incurred by rural telephone subscribers. However, one frustration rural telephone subscribers have is incurring LDC for calling another party only a short distance away. These charges

are incurred because of the way local areas are defined.

Adjacent telephone exchanges are generally grouped within a given local calling area. If communities are in different local calling areas, calls between them incur LDC. Extending the local calling area, called Extended Area Service (EAS), of one community to include some or all of the exchanges of another community may be possible, thus eliminating the LDC. Figure 2 shows two scenarios of local calling areas - with and without EAS.

The local calling area for rural areas is distinctively different than those of medium- to larger- urban areas. This generally is because the local calling areas in most of rural Ontario has significantly fewer subscribers to contact. Therefore, rural subscribers incur greater LDCs than urban subscribers.

In the current economic climate, rural areas are at a distinct disadvantage. A central challenge for rural areas is that they have little capacity to withstand economic shock, because they still rely on a few, selected industries. In our global economy, any initiative making the rural economy less competitive will have severe consequences for the well-being of rural residents. Modern telecommunication provided at competitive rates is integral to the social fabric and well-being of rural communities, and for sustaining the economic activities found there.

### **3.0 The Case for Rural Economic Development**

Several studies support the view that a positive relationship exists between investment in telecommunications infrastructure and economic development at the aggregate scale,

with remote areas receiving the greatest benefits<sup>2</sup>. Much of the economic benefit occurs through indirect effects (externalities) which are not captured by telephone company changes. Parker, et. al., have determined that telecommunication can be the tool that contributes much to rural development, and conclude that:

- investment in telecommunications contributes significantly to economic growth;
- on average, the indirect benefits of telecommunications greatly exceed the revenues generated by the telecommunications network; and
- telecommunications can help a wide range of rural businesses and organizations improve productivity, boost product quality, provide more efficient services and reduce costs.

In the agricultural sector, a standard practice for some farmers is to spend time every business day on the Internet. Specific sites visited include agricultural home pages, the Chicago Board of Trade's commodity listings, and government and university research and extension services. Another feature used by producers is electronic discussion groups, where farmers can communicate amongst themselves, using electronic bulletin boards, to discuss issues and solve problems. There may be areas of rural Ontario that must pay an unreasonable price or cannot access this service at all<sup>3</sup>.

One key requirement for successful rural businesses is to have access to telecommunication links which are of the same grade as those provided to their urban counterparts. There would be no reason that information-based businesses such as insurance companies, telemarketers and mail-order retailers would need to locate in urban areas. If business is conducted by telephone, E-mail or fax, the physical distance between service-provider and client poses no immediate obstacle; the only relevant factors are the quality of the communications link and the associated cost. However, in a statistically representative survey of Rural Economic Development Offices in Ontario conducted by the OFA (please refer to Table 1), we found that 45 percent of the respondents felt that the lack of access to the Internet and a modern telecommunication infrastructure was an impediment to development<sup>4</sup>.

Successful rural businesses depend on the quality of their local information infrastructure. Since many businesses are information intensive - including agriculture

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<sup>2</sup> Dholakia, Ruby Roy and Nikhilesh Dholakia. 1994. "Deregulating markets and fast-changing technology: Public policy towards telecommunications in a turbulent setting". Telecommunications Policy. 19(1), 21-31; Ontario Federation of Agriculture. 1995. Economic Development Activity Survey; and Public Interest Advocacy Centre. 1993. Telecommunications Toward 2000: Are Rural Canadian Getting their Fair Share?

<sup>3</sup> Richardson, Don. 1995. How Can Rural Ontario Compete in the Global Marketplace? Universal Rural Access to Internet Services Levels the Playing Field. Personal manuscript.

<sup>4</sup> Ontario Federation of Agriculture. 1995. Economic Development Activity Survey.

and their input suppliers and output processors, it follows that they need a strong information infrastructure. Fibre optic cables, digital switching, laser disks, satellite communication, word processors, fax transmissions and computer-integrated manufacturing are now as essential to economic development as transcontinental highways, industrial parks, water and sewage systems, and assembly lines were 20 years ago.

The agricultural sector in Ontario recognizes the phenomenal potential of telecommunications and is ready to utilize this tool. Telecommunications will continue to evolve and, consequently, the infrastructure servicing rural areas must be advanced, upgraded, and maintained so that rural residents can use this tool effectively. These issues must be addressed before the business potential of rural areas can be tapped fully.

#### **4.0 OFA Activity on Rural Telecommunications**

In rural Ontario, local telecommunications services are provided by either Bell Canada or independent companies, and regulated by the CRTC. The OFA has been an advocate for improved telecommunications services with all three organizations.

#### **4.1 Bell Canada**

Telecommunications became a major focus of OFA activity when Bell Canada attempted to restructure local business telephone rates. During the summer of 1995, Bell applied to the CRTC to restructure local business rates closer to cost<sup>5</sup>. A proposal was presented to lower urban business rates and raise rural business rates, aligning revenue closer to costs. This proposal was in response to new policy directives found in the *Telecommunications Act*.

In response to these developments, the OFA began to investigate rural telecommunications issues in earnest during 1995. This culminated in the adoption of a rural telecommunications policy by the OFA in January 1996 (please refer to Appendix 1) and the presentation of our concerns to the CRTC on several occasions during 1996<sup>6</sup>. Given that Bell Canada is the major provider of telecommunications services in rural Ontario, the OFA also decided to join with Bell Canada to form a rural stakeholders panel to address rural telecommunications issues. Throughout this work, our underlying

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<sup>5</sup> Telecom Public Notice 96-13 Bell Canada Restructuring of Rates For Business Local Exchange - Telecom Link.

<sup>6</sup>The OFA presented two submissions to the CRTC on rural telecommunication issues in 1996 -- on February 28 in Toronto and on May 27 in Hull regarding CRTC Public Notice 95-49. Both identified our major concerns regarding the need for modern rural telecommunications infrastructure in Ontario.

concern was that rural Ontario should not face rate increases, without significant improvements in rural telecommunications infrastructure.

As a result of these efforts, Bell Canada and the Rural Stakeholders Panel agreed on a two-stage plan to address rural concerns. First, Bell Canada developed a plan and presented it to the CRTC on September 6, 1996, to modernize the rural telecommunications infrastructure<sup>7</sup>. The CRTC approved their proposal to replace all 161 remaining analog switches with digital ones, and to upgrade older, digital switches to the latest digital technology over the next year at a cost of \$180 million. The second stage of this plan was presented to the CRTC in November, 1997, under Telecom Public Notice CRTC 97-11. The proposal won the favour of the CRTC. Bell Canada was able to proceed with its plan for the following:

- to eliminate all extra mileage charges;
- to offer, within two years, single-party service to the majority of customers still using four-party service, thereby giving them the potential to access to 911 service, enhanced telephone features, and Internet and fax services;
- to upgrade network facilities in northern Ontario and Québec within four years; and
- to extend toll-free local calling to 6.8 million customers in 642 exchanges.

The last measure would ensure that more than 1.9 million customers in smaller communities will have, over time, extended local calling to regional centres which are long-distance calls today. This will provide rural customers with local calling access to the range of government, business, and community services they use. In regards to single-line access, Bell has initiated some wireless trials in rural and remote Ontario as one way to provide the equivalent to single-line access. The OFA believes this technology has the potential of resolving some of the issues involved in providing modern telecommunications services to remote areas of rural Ontario.

These were major accomplishments in the view of the OFA, and we were very happy to be active participants in bringing about a favourable improvement to the telecommunications infrastructure and services in areas served Bell Canada.

## **4.2 Ontario Telephone Association**

The OFA has maintained regular contact with the OTA since our involvement in telecommunications issues in 1995. We kept the OTA informed of the

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<sup>7</sup> Telecom Public Notice CRTC 96-33. Bell Canada - Switch equipment modernization program and increases to residence primary exchange service rates for smaller communities.



telecommunications issues of concern to our members. Over the past three years, we have offered our support and opinions to the OTA to ensure that the necessary infrastructure and service improvements could be developed in areas served by independent telephone companies. In February 1998, the OFA met with the OTA to discuss in detail, the service and infrastructure improvements being sought by the OTA. We arranged for the OTA to make a presentation of their submission to the CRTC on Telecom Public Notice 97-4 to the Ontario Rural Council. The OFA also brought the members of the Rural Stakeholder Panel together for a one-day session to seek their input and support for OTA's service improvement plan.

From our perspective, the key components of OTA's submission to the CRTC regarding Telecom Public Notice CRTC 97-41 are as follows:

- elimination of mileage charges;
- expansion of local calling, by virtue of the designation of Natural Calling Centres and Calling Corridors;
- the introduction of individual-line service on demand;
- and
- rates that do not exceed those of neighbouring/similar Bell Canada service areas.

The OFA would also like to bring to the CRTC's attention the need for a system which encourages the long-distance competition in rural areas. It is our hope that these services will reach all Ontario residents in the near future.

## **5.0 Conclusion**

The OFA recognizes that OTA's submission for Basic Access Service Improvement will not resolve all issues for residents served by independent telephone companies. In addition, we anticipate that further issues will likely arise in areas served by both independent telephone companies and Bell Canada. The OFA is committed to ensuring that all rural residents have access to affordable modern services, regardless of where they live and who provides their service. The OFA will continue to work with other rural organizations in achieving this goal.

The OFA believes that OTA's Basic Access Service Improvement proposal provides an opportunity to resolve a number of issues for many rural residents in accessing modern telecommunications services. If approved and implemented, it will help to unleash the substantial economic development potential of rural industries, which already contribute significantly to the overall performance of the Ontario economy. If this proposal is not approved, we fear that it will lead to a growing differential in the services provided to rural and urban residents, and even amongst rural residents. This would be unfair. Rural prosperity serves the interests of all Ontario, and should be a key consideration in assessing OTA's submission.

In our opinion, the telecommunications network of Ontario must provide equitable service between urban and rural residents at comparable and affordable rates. It is because of this view that the OFA requests that the CRTC decide favourably on the following aspects of the OTA's submission:

- elimination of mileage charges;
- expansion of local calling, by virtue of the designation of Natural Calling Centres and Calling Corridors,;
- the introduction of individual-line service on demand,;
- rates that do not exceed those of neighbouring/similar Bell Canada service areas; and
- a system which encourages the long distance competition in independent telephone company areas.

In closing, let us reiterate OFA's request that the CRTC will favourably review OTA's Basic Access Service Improvement plan and request for rates that do not exceed those of neighbouring/similar Bell Canada service areas, and encourage the development of long-distance competition in rural areas.

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TABLE # 1

<b>Economic Challenges Facing Communities</b>		
<b>Challenge</b>	<b>Number</b>	<b>Percent</b>
Access to the Internet	31	48.4%
Tele-communication	28	43.8%
Municipal by-laws and regulation	27	42.2%
Health care-emergency service	18	28.1%
Education	21	32.8%
Infrastructure and transportation	40	62.5%
Job losses	33	51.6%
Access to capital and financing	37	57.8%
Average number of challenges per office		3.7

Source: Ontario Federation of Agriculture. 1995. Economic Development Activity Survey.

## Appendix 1

### ***RURAL AFFAIRS COMMITTEE - GOALS OF RURAL TELECOMMUNICATIONS POLICY***

WHEREAS new technology in telecommunications offers tremendous potential for rural development, and

WHEREAS the failure of local market forces to facilitate implementation of new technology in rural Ontario defines a role for public policy to encourage the development of telecommunications in rural areas.

THEREFORE BE IT RESOLVED THAT the Ontario Federation of Agriculture adopt a policy for rural telecommunications that includes the following:

1. Make voice telephone service available to everyone;
2. Make single-party access to the public switched telephone network available to everyone;
3. Improve the quality of telephone service sufficiently to allow rapid and reliable transmission of facsimile documents and data;
4. Provide rural telephone users with equal access to competitive long distance carriers;
5. Provide rural telephone users with local access to value-added data networks;
6. Provide 911 emergency service with automatic number identification in rural areas;
7. Expand mobile (wireless) telephone service;
8. Make available touch tone and custom calling services (i.e., services such as three-way calling, call forwarding and call waiting).

**-Status:** Carried January 17, 1996.