



21 September 2015

John Traversy
Secretary General
CRTC
Ottawa, ON K1A 0N2

Dear Secretary General

Re: *Review of basic telecommunications services*, Telecom Notice of Consultation 2015-134 (Ottawa, 9 April 2015) and 2015-134-1 (Ottawa, 3 June 2015) – Reply to interrogatories

In accordance with the directions set out in TNoC 2015-134 (as amended by 2015-134-1) the Forum for Research and Policy in Communications (FRPC) is pleased to submit the attached responses to interrogatories posed to it by Xplornet and the SSi Group of Companies.

Regards,

Monica L. Auer, M.A., LL.M.
Executive Director

FRPC(Xplornet)14Aug15-1(a)

(a) When you advocate for a subsidy for broadband access service, what are the attributes of the service you propose to subsidize in terms of upload and download speeds and usage caps (if any)?

FRPC's 14 July 2015 comments did not advocate a subsidy for broadband access service (see paras. 119-126).

FRPC(Xplornet)14Aug15-1(b)

(b) What is the estimated cost of the service that you propose be subsidized?

FRPC's 14 July 2015 comments did not advocate a subsidy for broadband access service (see paras. 119-126).

FRPC did recommend that interested parties provide definitions and measures of 'affordability' (FRPC, para. 26) to enable the CRTC to resume the annual collection of, and annual reporting on, the affordability of basic telecommunications services (FRPC, paras. 79 and 85). FRPC also recommended that the CRTC provide quarterly reports on gaps in basic telecommunications services (para. 96) to permit it to determine whether the regulatory mechanisms it ultimately chooses to ensure affordable basic telecommunications services, are achieving their objective.

FRPC(Xplornet)14Aug15-1(c)

(c) What is the price that you propose this service be offered at?

FRPC's 14 July 2015 comments did not advocate a price at which subsidized broadband access service should be provided (see paras. 119-126).

FRPC did recommend that the CRTC provide quarterly reports on gaps in basic telecommunications services (para. 96) to permit it to determine whether the regulatory mechanisms it ultimately chooses to ensure affordable basic telecommunications services, are ensuring that objective.

FRPC(Xplornet)14Aug15-1(d)

(d) What do you estimate to be the total annual subsidy for your proposed subsidy scheme for broadband service across Canada?

FRPC's 14 July 2015 comments did not advocate a subsidy for broadband access service (see paras. 119-126).

FRPC(Xplornet)14Aug15-1(e)

(e) If the goal of your subsidy is to make broadband access affordable for low income Canadians regardless of where they live,

- (i) What sort of eligibility test are you proposing to justify receipt of the subsidy?*
- (ii) If you are not proposing an eligibility test, what other mechanism do you propose to use to determine eligibility?*
- (iii) How would the test you are proposing be administered, and by whom?*

FRPC's 14 July 2015 comments did not advocate a subsidy for broadband access service (see paras. 119-126).

FRPC(Xplornet)14Aug15-1(f)

(f) Is your proposal in addition to the existing contribution regime for basic telephone service, or in substitution for the existing contribution regime?

FRPC's 14 July 2015 comments did not advocate a subsidy for broadband access service (see paras. 119-126).

FRPC(Xplornet)14Aug15-1(g)

(g) Given that there are approximately 500 ISPs operating in Canada, what criteria do you propose to use to determine the recipient of the subsidy?

FRPC's 14 July 2015 comments did not advocate a subsidy for broadband access service (see paras. 119-126).

FRPC(Xplornet)14Aug15-1(h)

(h) What measures are you proposing to ensure that your proposed subsidy regime does not discourage private investment in broadband facilities in areas that you propose to subsidize?

FRPC's 14 July 2015 comments did not advocate a subsidy for broadband access service (see paras. 119-126), but did provide data on ILECs' total annual capital expenditures from 1999 to 2013, showing that these expenditures have been relatively flat for just over a decade (2004 to 2013), and that they were lower in 2013 (\$4.0 billion in 2002 dollars), than in 1999 (\$4.1 billion) or 2000 (\$6.2 billion).

FRPC(SSi)14AUG15-2

1. In its July 14, 2015 intervention, FRPC states at paragraph 106:

“FRPC therefore opposes the idea that people living in underserved areas should have to wait for unidentified and possibly hypothetical new capital infrastructure plans by the private sector or a public-private partnership.”

Please refer to the descriptions of the Open Gateway Facility and the Backbone Assistance Program set out at section 3 and section 4.2 of SSI’s July 14, 2015 intervention. Note in particular paragraph 104 of SSI’s intervention, which states:

“... this approach to create an open gateway facility will be a key method to improve delivery of transport capacity to satellite dependent communities, and the efficiencies gained from the economies of scale created by such a model will ensure “least-cost” satellite backbone connectivity for some time. The selected Open Gateway Provider will, in summary:

- o Acquire satellite (or other) backbone transport from network operators;*
- o “Light” this capacity through the use of ground infrastructure, earth stations and other needed equipment and electronics;*
- o Bring this capacity into a point of presence, or PoP, in each community; and*
- o Make backbone connectivity services and co-location facilities available in an open and nondiscriminatory basis to each local service provider wishing to purchase such services in a given community.”*

• *Would the FRPC support such means for backbone support and access? Please elaborate.*

1 Yes, FRPC would support a regulatory framework to establish backbone support and access, provided this framework addresses our concerns about equitable service quality and pricing in the context of affordability for remote areas. We note that rural and remote communities’ access to modern telecommunications was addressed in Commissioner Molnar’s 2014 *Satellite Inquiry*.

2 The *Inquiry* addressed SSI’s model, noting that it was supported by three telecommunications companies and the Chiefs Council serving six First Nations:

- MTS Allstream submitted that if price regulation is required, a utility backbone model may be a reasonable approach.
- Ice Wireless submitted that mandated wholesale access at regulated rates is required for FSS, and that SSI’s utility backbone model is consistent with Ice Wireless’s proposed approach.
- SaskTel submitted that the utility backbone model has the potential to reduce the cost per megabit in larger isolated communities where FSS is the only choice for backbone connectivity, since this model would increase economies of scale and reduce the operation and maintenance costs associated with a large earth station with high capacity. However, SaskTel expressed concern regarding the capital costs (and lack of recovery of these costs) associated with upgrading earth stations to implement a utility

backbone model in locations with very low populations. SaskTel therefore suggested that such a model only be used in communities with a sufficient population base to ensure that the associated capital costs can be sufficiently recovered.

- Keewaytinook Okimakanak submitted that there needs to be some mechanism whereby more than one vendor can purchase transport at equivalent prices; however, Keewaytinook Okimakanak expressed uncertainty over whether a utility backbone model facilitates a least-cost satellite transport network, and whether a least-cost network would be appropriate, since efficiencies for businesses and governments could result in the associated costs being absorbed by residential customers at a lower rate of quality.¹
- 3 Parties to the *Inquiry* who supported the SSI proposal favoured a non-profit structure, tariffed rates, as well as locally-sourced infrastructure and services.
- 4 FRPC supports SSI's proposal as modified by these parties' views, with the understanding that the CRTC may at some point in the future (ie, one or two decades from now) decide to foster competition by permitting for-profit entities to begin to operate in this area.

¹ Candice Molnar, Inquiry Officer, *Satellite Inquiry Report* (October 2014), <http://www.crtc.gc.ca/eng/publications/reports/rp150409/rp150409.htm#entxxxix-ref>, at para. 154.

FRPC(SSi)14AUG15-2 2.

In its July 14, 2015 intervention, FRPC states at paragraph 111:

“The CRTC should not discontinue basic service obligations for landline services, as long as the majority of Canada’s population continues to use, if not rely on, these services.”

Key Finding 3A of Bell’s July 14, 2015 intervention states in part:

“We have reached a tipping point where the majority of Canadians have found alternatives or abandoned ILECs’ traditional wireline voice services. Less than 50% of households in Canada subscribe to a traditional wireline voice service from the ILEC.”

In light of Bell’s Key Finding 3A, please refer to section 4.4 and schedule C of SSI’s July 14, 2015 intervention, which deal with evolving the subsidy system in Northwestel’s operating territory.

• *Would the FRPC agree with SSI’s proposal for evolving the subsidy system in Northwestel’s operating territory? Please elaborate.*

- 1 FRPC does not agree with “Key Finding 3A” of Bell’s July 14, 2015 intervention.
- 2 First, while Bell refers broadly to “alternatives” to wirelines service, in our view there is only one meaningful alternative to wireline service – cellphones. In December 2013 Statistics Canada found that just 14,358 (0.103%) of 13.9 million households used cable/VoIP; cell and cable/VoIP; or landline, cell and cable/VoIP: see page 19, Table 6 of FRPC’s 14 July 2015 comments. The very low uptake of cable and/or VoIP shows that telecommunications users do not use these services as alternatives to landline service.
- 3 Second, the same data from Statistics Canada showed that 54.7% of all households, 50.4% of urban households and 61.1% of rural households had landline service, or cell and landline service. These data contradict Bell’s claim that the “the majority of Canadians have found alternatives or abandoned ILECs’ traditional wirelines voice services”: to the contrary, the majority of Canadian households still rely on wireline service, although a large proportion – 45% of all households, 49.2% of urban households, and 38.7% of rural households – now also rely solely on cell phones.
- 4 Bearing our view on Bell’s ‘key finding’ in mind, we turn to section 4.4 of SSI’s July 14, 2015 intervention and its “schedule C”. We could not locate Schedule C on the CRTC’s page for the 2015-134 proceeding. If this was a reference instead to Schedule 3 of the same document, “Evolving the Subsidy System in Northwestel’s Operating Territory”, we could not locate it on the CRTC’s page for the 2015-134 proceeding.
- 5 Our comments on this question are therefore based on section 4.4 of SSI’s intervention which suggests that the Commission redirect funds in the existing primary exchange service and service improvement plan – a subsidy program – to broadband.
- 6 FRPC has recommended that Canada’s basic service obligation include the provision of 100 Mbs to the home by 2021 (para. 114). Noting that many households across Canada

lack access to the minimal levels of Internet service that populations in major urban centres take for granted (see, for example, the evidence in FRPC's comments at paragraph 59), FRPC generally supports programs to expand the availability of significantly higher levels of broadband speed, and specifically supports the implementation of such programs in the North, a goal set by the Commission nine years ago in Telecom Decision CRTC 2006-9:

The Commission determines that initiatives 1) to expand broadband services to rural and remote communities and 2) to improve accessibility to telecommunications services for persons with disabilities are appropriate uses of funds in the deferral accounts.

The Commission considers that expanding broadband services into rural and remote communities will enhance their social and economic development, and is an effective way to reduce the disparity that exists with urban communities.²

[italics in original text]

² *Disposition of funds in the deferral accounts*, Telecom Decision CRTC 2006-9, (Ottawa, 16 February 2006), <http://www.crtc.gc.ca/eng/archive/2006/dt2006-9.htm>

FRPC(SSi)14AUG15-3 3.

At paragraph 71 of its July 14, 2015 intervention, the Affordable Access Coalition states:

“The Affordability Funding Mechanism would provide a monthly subsidy to low-income households which could be applied to any telecommunications service of their choosing, from any service provider of their choosing, thus reducing a major barrier and enhancing consumer control and choice.”

At paragraph 69(d) and paragraph 73 of its July 14, 2015 intervention, The Government of Yukon states:

“69. Yukon proposes the following approach for the operation of funding support for broadband basic service where a community is unserved, or underserved, at the defined standards: [...] d. Subsidy payments would be made on the basis of the number of customers served, which would allow for portability.” [...] “73. The Government of Yukon submits that the Commission should now revise the definition of basic service to include high-speed or broadband Internet access, which is arguably essential to the ability of Canadian homes and businesses to fully engage in the digital world, including not only the opportunities to participate in the global marketplace of goods and services on a competitive basis, but also to take full advantage of the education, government, and health services/applications that are, or will become available, as well as to fully exploit the potential to build and enhance their identities, communities, and culture, as is consistent with the overriding policy objective of the Telecommunications Act.”

• And further, in Telecom Decision CRTC 97-8, “Local Competition”, the Commission stated at paragraph 173:

“...that there should be a portable contribution approach, in which all LECs would have access to sources of subsidy and in which contribution would be provided to any LEC that serves a subsidized subscriber.”

• Would the FRPC approve of a similar “portable contribution” or “portable subsidy” approach being adopted for funding mechanisms established to support broadband service? Please elaborate.

- 1 Yes, FRPC would approve of a similar ‘portable contribution’ approach being adopted to support the availability of affordable broadband service.
- 2 Our preference is for a contribution-based approach that would enable telecommunications companies to expand the availability of broadband service to all communities, rather than means-based subsidies to the 4.6 million low-income households in Canada (FRPC’s 17 July 2015 comments, at paragraph 61).
- 3 Expanding the availability of affordable broadband service by establishing a portable contribution approach, with defined and measurable objectives to be achieved within specified timeframes, will facilitate “the orderly development throughout Canada” of broadband as a telecommunications service as Parliament requires in section 7 of the *Telecommunications Act*.
- 4 Means-based subsidies for individual households may become an intricate and drawn-out system of testing the incomes of individual households against periodically revised threshold levels, an approach that risks being inefficient, cumbersome, intrusive and – for those affected – humiliating.

FRPC(SSi)14AUG15-4 4

In its February 6, 2013 Intervention filed in response to Telecom Notice of Consultation 2012-669, "Review of Northwestel Inc.'s Regulatory Framework, Modernization Plan, and related matters", the Yukon Government states at paragraph 66 that:

"Access to broadband has become more important than basic voice access, especially in the North, where the capabilities of advanced services have the potential to overcome the disadvantages of distance and remoteness."

- *Does FRPC agree with the above statement of the Yukon Government? Please elaborate.*

1 FRPC respectfully submits that access to broadband will be as important as basic voice access when all households not only have access to, but are also able to subscribe to, broadband service.