CONNECT CANADA

CONSERVATIVE CALL TO ACTION ON RURAL INTERNET ACCESS

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Introduction

The COVID-19 pandemic has served to underscore and exacerbate the already significant inequalities between rural and urban Canada, in terms of access to reliable and fast internet. With work from home orders leading to an increased requirement for network access, geography is becoming an even bigger barrier to equality of opportunity for rural Canadians. Now more than ever, Canadians are looking for solutions to fix this problem and ensure rural communities are not left behind. That is why Conservatives are putting forward solutions to end the digital divide in our country.

This report includes feedback from several rural Conservative Members of Parliament who have also advised their regional caucuses of this initiative and solicited their approval. In short, the ideas and principles included herein have broad support within the caucus.

The Issue

Internet access is an essential service. Access to affordable, reliable, and fulsome connectivity is a determinant of productivity, economic growth, and equality. While this is a challenge for every Canadian, it is particularly acute in rural Canada.

For most rural Canadians, internet service is inadequate at best, but the requirement to work from home, precipitated by COVID-19, shows it is unreasonably inadequate. Even after the pandemic, internet reliance is increasing exponentially. The World Economic Forum predicts more reliance on the internet for economic and social interactions. This situation should be a major wakeup call for all policymakers. Rural and remote communities in Canada are hit hard with inferior internet performance and low data caps. It is an equality issue.

In the face of COVID-19, the way Canadians work is changing rapidly. Working from home is the new normal and it is rapidly spiking the decline of brick-and-mortar retail, education, and commercial real estate, amongst other industries. Broadband infrastructure is essential for working from home, telehealth, education, public safety, and communications.

Under Canada's current regulatory regime, regions with lower population density, such as rural and remote communities, end up underserviced because less density means less customers, which may not fit with the business models of large incumbent providers. Additionally, Canada's telecommunications industry landscape is not competitive enough to incentivize the market to increase speed and access. This is evidenced by the fact that investments in rural broadband by successive governments and incumbent providers over nearly two decades have not solved the problem. Investment is needed, but first the system needs to change.

To encourage economic productivity, and to provide all Canadians this essential service, the government must develop a new approach to this issue that includes changes to the regulatory system. Furthermore, government investment in this essential service will lower the consumptive cost of providing these services over the long-term, benefiting all Canadians.

Background

The CRTC designated broadband as an essential service in 2015, defining broadband to be a 50 megabytes per second (MBPS) download speed and a 10 MBPS upload speed. Over 60% of Canadian households do not reach that standard, and rural Canadians are significantly more likely to be underserved than their urban counterparts.

Mobile wireless has a fixed bandwidth capacity and is therefore vulnerable to major reductions in capacity as the number of users increases. "Cottage country," an area where urbanites vacation in the summer, can have user increases of 3-4 times during the summer months. If the community is along one of the major trans Canada highways, the numbers increase exponentially. All of these additional visitors and traffic create a drain on the mobile wireless internet bandwidth capacity: performance degrades and fails to meet guaranteed or federally mandated minimums. Bell, Rogers, and TELUS have received billions of public dollars, through direct and indirect means, yet the resultant infrastructure is owned by those companies and not by the Canadian taxpayer.

First Nations are disproportionately impacted by this inequality of access. The First Nations Technology Council estimates that 75% of communities do not have broadband access that meets the CRTC 50/10 MBPS requirement. This is unacceptable.

Some jurisdictions have taken it upon themselves to deliver telecommunications service to their residents as they recognize the failings of the big telcos to meet the need. Saskatchewan was the last province in which telecommunications became federally regulated and the last province in which the incumbent communication carrier, SaskTel, is fully owned by the provincial government. Since Saskatchewan is a geographically large province but has a relatively small population – many of whom still live in rural communities, it makes sense why the government decided it needed to ensure the need was being met.

In light of COVID-19, Bell, Rogers, and TELUS announced they would eliminate overage charges for "home internet" customers. The term "home internet" refers to fibre, cable, and DSL consumers, but does not apply to mobile wireless internet customers. A majority of rural internet is either satellite or mobile wireless internet, meaning that rural residents will be disproportionately impacted during an already trying time for all Canadians. Furthermore, these forms of service are typically unreliable, with inadequate bandwidth and low data caps.

During these unprecedented times, the government needs to immediately step in to ensure broadband infrastructure is available to all Canadians.

Historical Policy Failures

For years, this Liberal government has touted their goal of connecting Canadians from coast-to-coast-to-coast to fast internet access. In 2015, newly elected Prime Minister Justin Trudeau released his ministerial mandate letters. In Minister Navdeep Bains' letter, the Prime Minister tasked him with increasing high-speed broadband coverage nearly five years ago.[1] Yet, we continue to hear from Canadians outside of city centres that they are still not receiving adequate access to reliable and fast service.

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[1] "ARCHIVED - Minister of Innovation, Science and Economic Development Mandate Letter", https://pm.gc.ca/en/mandate-letters/2015/11/12/archived-minister-innovation-science-and-economic-development-mandate

Past attempts to fund rural and remote networks have been fraught with problems. In 2018, the Auditor General found several issues with the rollout of the government's Connect to Innovate program. This program invests hundreds of millions with the goal of bringing "high-speed Internet to 300 rural and remote communities in Canada. In these communities, challenging geography and smaller populations present barriers to private sector investment in building, operating and maintaining infrastructure."[2] Some of the Auditor General's findings included issues with program design which led to failures in outcomes:

> We found that Innovation, Science and Economic Development Canada (the Department) did not implement its Connect to Innovate program for broadband improvement in a way that ensured the maximum broadband expansion for the public money spent. The program did not include a way of mitigating the risk of government funds displacing private-sector investment.[3]

The Auditor General found that the Connect to Innovate Program did not require applicants to demonstrate that their projects would not be feasible without public funding. He also identified that Industry Canada did not "allocate funding for projects in underserved communities in areas that would otherwise not benefit from independent, private-sector investment. Instead, the Department determined that communities were eligible for Connect to Innovate funding if they were more than two kilometres away from existing fibre backbone infrastructure."[4]

It is important that future initiatives do not repeat the same mistakes as previous attempts to serve rural and remote communities. The underlying assumption must be that while legislators are managing to ensure universal access, large telcos are managing to profit-and-loss. This delta must be bridged within the program design itself.

Policy Recommendations

In light of the current operating environment and the historical failures of government policy aimed at connecting Canadians, we are putting forward policy solutions to address the lack of access for all Canadians. We are recommending the following policies be adopted by the federal government:

Recommendation 1: Alleviate Short Term Bandwidth Shortages
Slow internet in rural areas is a significant problem that needs to be immediately addressed. This poses large problems, especially in times of emergency. To alleviate the current bandwidth shortage in the short term to emergent situations such as COVID-19, we propose that the government request ISPs or other entities to deploy portable Cell on Wheels (COWS) with a priority to those areas where residents don't have internet. The government should work with ISPs to ensure there is an adequate supply of these devices available to deploy under a framework for who can use them and under what circumstances. This would act as a quick mechanism to immediately deliver better service to rural communities in urgent need of access in light of COVID-19. It should be noted this is not intended to fix long term bandwidth shortages.

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[2] https://www.ic.gc.ca/eic/site/119.nsf/eng/home
[3] https://www.oag-bvg.gc.ca/internet/English/parl_oag_201811_01_e_43199.html
[4] https://www.oag-bvg.gc.ca/internet/English/parl_oag_201811_01_e_43199.html

Recommendation 2: Develop a Canadian Broadband Strategy

Conservatives believe that from coast-to-coast-to-coast, Canadians should be able to connect. With the current system, this is not the case. Our goal is to ensure that Canadians are able to connect, whether it be via phone or online. The current situation, where many Canadians remain unconnected and do not have reliable access, is not good enough and we will change this.

This strategy should be in place prior to the government spending tax dollars within the existing regulatory system, or the risk of nothing changing will persist, especially given the lack of clear and coherent broadband strategy. The big telcos have also failed to deliver for Canadians on time and on budget. The government must articulate a clear plan on broadband by developing a holistic Canadian Broadband Strategy for rural internet. The CRTC has established the benchmark of access speeds of at least 50 Mbps download and 10 Mbps upload.[5] The CRTC stipulates that these speeds are to be the actual speeds delivered, not merely those advertised. Yet, the speeds available to customers only have to be POSSIBLE to achieve, not necessarily consistently available. This means that customers can regularly experience much lower speeds for which they are paying.[6]

The strategy to address these and other issues could include:

- Ensuring that government infrastructure funding purchases a stake in the infrastructure (funding as an interest-free loan perhaps) to increase accountability and ensure a measure of public input.
- Increasing the capacity of regional ISPs by mandating preference or set asides for them in competitions for spectrum.
- Public-Private Partnerships (PPP) are an important tool for combining the reach and backing of government with the expertise and ingenuity of the private sector. PPPs give the government a chance to overturn the current natural monopoly big telcos have in broadband infrastructure by funding regional ISPs to build infrastructure or having the government build the infrastructure and wholesaling network access.
  - By routing the funding through regional ISPs, we create competition that forces big telcos to reduce their prices.
  - Therefore, PPPs can be used to roll-out broadband infrastructure in a far-reaching, cost-effective way that increases the competitiveness of the market.
- All government infrastructure projects like roads, pipelines, wind energy projects, etc. could be asked to include conduit for future fibre or they will not receive any public funding.
- Proper advertisement and enforcement of speed benchmarks.

Given the urgency of the situation, this strategy should be delivered by the end of June 2020.

Recommendation 3: Local Connectivity Infrastructure Fund

Infrastructure in rural Canada remains a barrier to better internet access. To incentivize rural infrastructure the government could:

- Allow individuals to voluntarily contribute to a local connectivity infrastructure fund in exchange for a tax credit.
  - The government could also potentially match the contribution.

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[5] https://crtc.gc.ca/eng/archive/2016/2016-496.htm
[6] https://pub.ccts-cprst.ca/2018-2019-annual-report/topics-and-trends/

All contributions would stay in the region which would be a combination of municipalities. Therefore, such a region would be able to use the funds to contract out the construction of infrastructure owned by the region/community. This would ultimately allow connectivity providers to use the infrastructure.

Recommendation 4: Stop Big Telecoms from Profiting off of Small Business Government Funds

There is a growing concern with small ISPs who have been recipients of government connectivity program funds and sell their business to large telecoms, profiting from such funds. Additionally, there is concern that when a small company is bought out, the buyer shutdowns a service/piece of infrastructure they have bought as they deem it unprofitable.

The rationale behind such a proposal is because it contradicts the intent of the funding and the programs. Funding initiatives for broadband providers is to assist with helping smaller players enter the market by diluting some of the financial barriers to entry and provide broadband access to unserviced regions. These markets that the smaller companies want to do business in are deemed 'unprofitable' by the big telcos.

Option 1: Any internet providers who have received over ($100,000) in government funding for connectivity must pay back (75%) of government grants if they sell their business to a large telecom provider.

Option 2: Any internet provider who has received over ($100,000) in government funding for connectivity must allow existing infrastructure to be shared in perpetuity with the local region if they sell their business to a large telecom provider.

Recommendation 5: Accurate Reporting, Transparency with Canadians, and Accountability

Consumers should have real-time information available to them on their speeds and bandwidths. Many customers, especially in rural areas, have raised concerns about the quality of coverage and performance they currently receive; contradicting the quality they are paying for. In the interest of consumer protection and information, we propose that the government take decisive action to ensure that Canadians' access to connectivity is independently verified and fairly reviewed. It is necessary to distinguish theoretical LTE coverage and speeds from what is actually available for customers in terms of volume, usage, and proximity.

That is why we propose that the government work with service providers to:

- Ensure Canadians have access to accurate, real-time information regarding speed and bandwidth.
- Inform consumers when a website is being traffic-shaped (i.e. with a pop up).
- Call for a nation-wide audit on both 'High Signal Reception*' coverage and speed/performance to compare with telco's claims and over-promising marketing statements. This may also be a method of identifying dead-zones.
- Review the mandate, dispute process and board appointment process of the Commission for Complaints for Telecom-Television Services to ensure independence of consumer dispute resolutions.
- Review performance of CRTC related to the desired outcomes and priorities of connectivity.
- Require ISPs to advertise average speeds, not best-case scenario speeds.

*Certain cellular providers diminish the dead zones in their coverage maps because they use 'low signal' mapping. This makes a provider look like they have superior coverage; however, areas with 'low signal' would result in around one bar of service that can barely send a text or hold calls. This highlights the difference between theoretical and practical speeds and coverage.

Recommendation 6: Simple Consumer Contracts
Many consumers are unaware of the language used in ISP contracts. They are also unaware of the technical practices allowed and implemented. This results in many consumers becoming frustrated when they experience slower speed or limits to bandwidth that results in queuing. They then contact their ISP to be informed that fine print and jargon was agreed to when they signed their contract.

- Telecom providers must use language and details in contracts that are easily understandable for consumers. This includes describing use of traffic-shaping and list websites that are prone to it. It would also need to describe the internet terminology used such as speed and bandwidth and inform the potential consumer of what bandwidth is needed for websites/programs. This description/information would be formed/standardized by the government to ensure consistency and truth in possible conjunction with the Canadian Standards Association.
- The goal is to provide consumers with accurate, descriptive and non-bias information so they can make smart choices when signing up for internet services that reflect their personal/household needs.

Recommendation 7: A Municipal Ownership Model
A municipal ownership model may be the solution to fill in the gaps in rural Canada where Internet Service Providers (ISP) are not interested in expanding, even with the existing federal program. As of right now, municipalities are unable to access the existing rural internet program, as only existing ISPs can apply. If an ISP does not want to expand their infrastructure in a community or to connect more individuals to their existing network, there is nothing a municipality can do.

- Municipalities would apply for public funding to build the necessary broadband or fixed wireless infrastructure if no existing ISP is willing to do so.
- With this model, it is up to municipal leaders and local ratepayers to determine if this is a priority and the onus is on their municipal leaders to start the process. This model would function similarly to infrastructure projects, where the federal government could partner with either the province or just the municipality. The program could be run out of Infrastructure Canada or Regional Economic Development Agencies.
- Furthermore, the government could do a 50/50 model or another appropriate predetermined equation to get smaller communities to buy in.
- As we are not encouraging municipalities to start their own ISP, extensive consultations must be undertaken with ISPs to ensure any new infrastructure built is universally accessible for their customers. Moreover, discussions will have to take place if a municipality wants to build on an existing network and form a partnership with an existing ISP. Without ISPs cooperating and agreeing on the equipment/technology being installed, a private-public model will not work.

Recommendation 8: Changes to Spectrum Auctioning
Many small ISPs help connect rural Canadians, yet they face a number of challenges in the current operating environment. With very small margins to begin with, and now the added unknowns of the abilities of customers to pay their bills, the price of a Radio Frequency Licence,

and the reserve bid deposit required, the cost of participating in the upcoming spectrum auction may be prohibitive. For these reasons, the government should hold a secondary spectrum auction at reduced prices for the spectrum set aside allocated to small ISPs.

There are also problems with the way in which our current spectrum auctions function. Spectrum pricing for smaller communities are lumped together with major cities in the tier system. For example, communities within a 45-minute drive from Ottawa have no access to the internet. The proximity from the main highway, the topography and low population density means that the big telcos will not bother with these communities, but the spectrum is lumped in with that of Ottawa. Furthermore, reserve funding is very expensive and unavailable to smaller ISPs. For these reasons, this is why we urge the government in upcoming spectrum auctions to redesign the tiers.

Recommendation 9: Addressing Infrastructure Concerns

Inquiries about infrastructure leasing from secondary providers to major telcos are either highly overpriced or go unanswered until the telco has already run fibre to the area in question. Charges of anti-competitive practices cannot be proven because the telcos say the expansion was part of their business plans already or coincidence. For these reasons, the government should set a required response time and a price cap per km on infrastructure leasing by the major telcos.

Access to passive infrastructure is often a barrier to ISPs. For example, in Ontario many poles are owned by Hydro One or large telcos. The telcos increase charges excessively to secondary ISPs. Government could have CRTC set a cap on telephone pole user fees for secondary ISPs or establish a dispute mechanism. Additionally, Ontario Hydro One requires secondary ISPs to pay for a new pole ($5,000-$10,000) in order to have fibre attached. The government could work with the provincial government to find a balance between costs of replacing Hydro One infrastructure and rural access to high speed internet.

Recommendation 10: Industry-Specific Relief in Light of COVID-19

We have heard many concerns by ISPs in light of the COVID-19 pandemic and their ability to weather this storm. Small ISPs do not necessarily qualify for federal emergency loan provisions because the scope of the service increases for customers working from home, and customers who do not pay cannot be disconnected due to 911 access requirements. The government is not providing industry specific relief and should develop a plan on this immediately, for example by backstopping these ISPs.

Recommendation 11: Extension of CRTC Deadlines

Many deadlines have shifted in our country due to the COVID-19 pandemic. CRTC applications are due shortly, but we are hearing that ISPs are having difficulty communicating with municipalities because staff are working from home, and do not have access to the internet in order to transfer information. In light of this current pandemic situation, the CRTC should extend their deadlines.

Recommendation 12: Protecting Consumers and Competition Against Predatory Regional Pricing

When regional price wars happen, in which a big telco will deliberately undercut other regional carriers to try and eliminate the competition, consumers in another region of the country should be able to have their rates be lowered to the same rate available in the region being undercut. If not, the telco should keep their rates consistent with their prices across the country. If they are

able to offer a rate considerably lower in Saskatchewan to try and undercut the local provider, then as a customer in Muskoka, one should be able to get that same price.

Our goal is to benefit all consumers, regardless of their rural or urban location in any region of Canada. Protecting consumers and competition in the same market can be done simultaneously and efficiently. We must ensure equal access to a competitive market for both service providers and consumers. The potential for practices where large providers seek to artificially and deliberately manipulate their prices to undercut the equal opportunity of competitors should be thoroughly reviewed and checked. We propose that regional price differences for national providers should not exceed 10%.

Recommendation 13: Incentivize Rural Internet Build Outs Through Licensing
Often, access to spectrum is a barrier to ISPs who would like to offer networks in rural Canada. To address this, spectrum licenses can be revised to make benchmarks for offering rural connectivity a condition of use. The license can be redesigned to be auctioned at lower rates in exchange for targets for investment, connected users, and/or speeds in rural broadband. Companies that failed to meet targets could have spectrum clawed back.

Recommendation 14: Government Investment
The government does have a role to significantly invest in rural broadband access, especially if it is considered as a public good. That said, expenditures should be made in a system that will clearly, in a stage-gated results-oriented framework, deliver access as defined in this document. Pouring tax dollars into a system that has not worked in the past and expecting different results is not acceptable.

Conclusion

In order for Canada to maintain a competitive knowledge economy, our citizens must have access to high-speed broadband. High-speed broadband allows citizens the opportunity to develop intellectual property, increases innovation and entrepreneurship, and allows our citizens access to education, telehealth, and telecommuting. It also reduces brain-drain, equalizing economic opportunity in rural communities and ensuring the sustainability of rural communities. The Rural Broadband Working Group was struck with the hopes that we can solve this untenable divide. Thank you to all the Conservative members who contributed to this document and are advocating for their communities to finally connect Canadians.