



December 18, 2017

VIA Telecommunications Intervention Comment Form

Mr. Chris Seidl  
Acting Secretary-General  
CRTC  
1 Promenade du Portage  
Les Terrasses de la Chaudière  
Central Building  
Gatineau, QC  
K1A 0N2

Dear Mr. Seidl:

**Subject: Telecom Notice of Consultation CRTC 2017-112 - Development of the Commission's broadband funding regime - Final Comments**

1. This is a joint submission of the Canadian Cable Systems Alliance, Inc. ("CCSA") and the Independent Telecommunications Providers Association ("ITPA"), collectively "CCSA/ITPA", in response to Telecommunications Notice of Consultation CRTC 2017-112.
2. CCSA/ITPA represents independent communications distributors and speaks on regulatory matters for over 115 companies operating across Canada.
3. All but two of the ITPA's members are members of the CCSA.

*Executive Summary*

4. In these comments, CCSA/ITPA addresses four matters, as follow:



- CCSA/ITPA opposes the reverse auction model proposed by NPF-PIAC and Bell and supports a comparative assessment approach based on ISED's existing forms and procedures to the extent possible;
- CCSA/ITPA stresses the importance of funding locally-based solutions that respond to local needs and challenges and emphasizes the need for simplified procedures and support tools that encourage applications from as broad a base of applicants as possible;
- CCSA/ITPA opposes regulation of wholesale access to last-mile access facilities and supports regulation of wholesale access to transport facilities, facilities that are a vital input to locally-based, entrepreneurial network-building projects; and
- CCSA/ITPA stresses the importance of allocating funding to subsidize ongoing operational costs so as to ensure the sustainability of networks in the highest-cost serving areas.

5. CCSA/ITPA thanks the Commission for the opportunity to make these submissions.

Sincerely,

Christopher J. Edwards  
Vice-President, Regulatory Affairs  
Canadian Cable Systems Alliance, Inc.

Jonathan L. Holmes  
Executive Director  
Independent Telecommunications  
Providers Association

CANADIAN CABLE SYSTEMS ALLIANCE, INC.

and

INDEPENDENT TELECOMMUNICATIONS PROVIDERS ASSOCIATION

**TELECOMMUNICATIONS NOTICE OF CONSULTATION**

**CRTC 2017-112:**

**DEVELOPMENT OF THE COMMISSION'S BROADBAND  
FUNDING REGIME**

**Final Comments**

December 18, 2017

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## Introduction

1. This is a joint submission of the Canadian Cable Systems Alliance, Inc. (“CCSA”) and the Independent Telecommunications Providers Association (“ITPA”), collectively “CCSA/ITPA”, in response to Telecommunications Notice of Consultation CRTC 2017-112.
2. CCSA/ITPA represents independent communications distributors and speaks on regulatory matters for over 115 companies operating across Canada.
3. All but two of the ITPA’s members are members of the CCSA.
4. In these comments, CCSA/ITPA addresses four matters, as follow:
  - CCSA/ITPA’s opposition to the reverse auction model proposed by NPF-PIAC and Bell;
  - the importance of funding locally-based solutions that respond to local needs and challenges;
  - CCSA/ITPA’s opposition to mandated “open access” to access facilities and support for mandated “open access” to transport facilities; and
  - the importance of funding ongoing operational costs to ensure the sustainability of networks in the highest-cost serving areas.
5. CCSA/ITPA emphasizes its statements in its initial comment in this matter as follow:

The underlying premise of CCSA/ITPA’s submissions is that every available dollar of funding must be used efficiently and wisely. That means:

- administration must be as efficient and cost-effective as possible with every possible dollar being directed toward actual investment in networks; and

- every opportunity should be taken to leverage network resources that already are in place and that are capable of being upgraded to meet the Universal Service Objective (“USO”) standard.<sup>1</sup>
6. CCSA/ITPA notes, as well, the number of submissions from groups such as Eeyou Communications Network (“ECN”)<sup>2</sup> and First Mile Connectivity Consortium “FMCC”<sup>3</sup> to the effect that communications services available from the large, commercially driven broadband providers generally have not met the needs of their communities well.
  7. CCSA/ITPA agrees with such groups that locally-developed, locally-based solutions often will be the ones that have the best chance of meeting the needs of remote communities and areas that pose unique service costs and challenges.
  8. CCSA/ITPA submits that, in many such cases, the independent ISPs that operate in remote areas are ideally placed to work with local authorities and community representatives to respond effectively to those challenges.

#### Comparative Assessment *versus* Reverse Auction

9. CCSA/ITPA has been dismayed to see the degree to which this proceeding appears to have become a debate on the merits of a comparative assessment approach *versus* a reverse auction model, a model that was not part of the Commission’s proposed broadband funding regime.
10. CCSA/ITPA has reviewed the description of the proposed reverse auction process at “NPF-PIAC(CRTC)16Oct17-15 Answer Appendix”.
11. Very few CCSA/ITPA members have had any exposure to the spectrum auction processes used by ISED or have any understanding of complex auction theory, rules and procedures such as that Appendix describes.

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<sup>1</sup> CCSA/ITPA, “Telecom Notice of Consultation CRTC 2017-112 - Development of The Commission’s Broadband Funding Regime: Initial Written Comments”, June 28, 2017 at para. 5.

<sup>2</sup> Eeyou Communications Network, “Replies to Questions Presented October 16, 2017 by the Canadian Radio-Television and Telecommunications Commission, Public Notice 2017-112 CRTC Reference: 1011-NOC2017-0112”, November 20, 2017 [hereinafter *ECN RFI Response*] at para. 18.

<sup>3</sup> First Mile Connectivity Consortium, “RE: Responses to Requests for Information for Telecom Notice of Consultation CRTC 2017-112: Development of the Commission’s broadband funding regime”, November 20, 2017 [hereinafter *FMCC RFI Response*] at para. 77.

12. The same can be said for most community organizations and potential competitive new entrants that might consider applying for funding under the Commission's proposed broadband funding regime.
13. For example, Commstream Gigalinks is a small but progressive Manitoba ISP that, despite having only 10 employees, has been finding innovative ways to extend broadband service to previously unserved remote and Indigenous communities.
14. It is difficult to imagine Commstream, which has no dedicated regulatory staff, navigating its way through a complex and time-consuming auction process and bearing the administrative burden of participating in such a process.
15. Moreover, as some commentators have noted in their responses to the Commission's Requests For Information ("RFI"), reverse auctions typically favour larger bidders.<sup>4</sup>
16. Large communications companies like Bell have a depth of experience and expertise with spectrum auction processes. They have the administrative resources needed to participate fully and expertly in such processes.
17. Those larger bidders also have the available capital and the opportunities to cross-subsidize their bids as needed to maximize their success in securing funding made available through a reverse auction process.
18. AS CNOC put it:

The reverse auction approach favors well-capitalized applicants and prejudices applicants with limited capacity to make flexible allocations of capital, like small telecommunications service providers, not-for-profit organizations, as well as local and community governments and associations. Once again, this is because the reverse auction model rewards projects that use the least amount of subsidy. Therefore, applicants like incumbent telecommunications service providers can leverage their massive capital advantages to squeeze out more restricted applicants by bidding slightly above their heads.

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<sup>4</sup> See, e.g. Nunavut Economic Forum Coalition, "RE: Reply to the Commission's Request for Information concerning 'Development of the Commission's Broadband Funding Regime' TNC CRTC", November 20, 2017, [hereinafter *NEF Coalition RFI Response*]; Open Media, "Re: Telecom Notice of Consultation CRTC 2017-112, Development of the Commission's Broadband Funding Regime, CRTC File No.: 1011-NOC2017-0112 – Response to Commission Requests for Information (RFIs) from OpenMedia Engagement Network (OpenMedia)", November 20, 2017 at para. 20; and *FMCC RFI Response* at para. 39.

The consequences are amplified when considering that applicants who are squeezed out in this way, for instance, a community-focused project proposed by local government, could be poised to bring many more consumer benefits to a community than the lowest bidder in a reverse auction.<sup>5</sup>

19. An example of that might be Kativik Regional Government (“KRG”) which asserts that it, “is generally not in a position to leverage it’s [sic] infrastructure as a mechanism to lower a subsidy amount as the net requirement for funding would generally remain the same.”<sup>6</sup>
20. The same would be true for many smaller, independent ISPs that might wish to propose projects. Without access to new equity or bank financing, such applicants need access to some form of progress payments to fund what may be highly worthwhile network builds.
21. In that respect, we agree with Kativik’s response to Bell’s Recommendation 4 that 75% of payment be made on project completion with a 25% holdback, which observes that such a payment model:

. . . removes a lot of smaller entities including First Nations and Inuit groups for bidding on projects. There are other mechanisms such as milestone payments and project oversight to oversee that projects meet contractual obligations.<sup>7</sup>
22. In these ways and in others, the reverse auction model would erect barriers to project proposals from smaller, less-capitalized ISPs, community groups and competitive new entrants. The model would limit innovative responses by small ISPs and communities to unique local unique needs and challenges that may not fit a “lowest subsidy” criterion for funding awards.
23. CCSA/ITPA believes very strongly that a broadband funding program designed to extend service to rural and remote areas of the country should not erect barriers to projects proposed by locally-based ISPs and community groups.

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<sup>5</sup> Canadian Network Operators Consortium Inc., “Development of the Commission’s Broadband Funding Regime, Telecom Notice of Consultation CRTC 2017-112 (CRTC File: 1011-NOC2017-0112) – Responses to Commission Requests for Information”, November 20, 2017 [hereinafter *CNOC RFI Response*] at CNOC(CRTC)16Oct17-4 TNC 2017-112, para. 3.

<sup>6</sup> Kativik Regional Government, “Re: Requests for Information Related to Telecom Notice of Consultation CRTC 2017-112 on the Development of the Commission’s Broadband Fund Regime and Further Process”, October 30, 2017 [hereinafter *KRG RFI Response*] at para. 7

<sup>7</sup> *KRG RFI Response* at para. 9.



24. Rather, the program should encourage the development of projects developed by people “on the ground” who best understand the needs and special circumstances of their markets and who are highly motivated to improve services in those markets.
25. Independent ISPs and community groups are, by now, quite familiar with the application procedures involved in ISED’s CTI and predecessor funding programs. Many such entities have applied for project funding using those processes.
26. The ISED process is well understood by many smaller organizations and offers the flexibility to account for many factors, including the special needs and challenges involved in connecting Canadians in remote and geographically demanding areas.
27. As both Rogers<sup>8</sup> and Shaw<sup>9</sup> put it in their RFI responses, there is no need to “reinvent the wheel”. Rather, the funding regime should rely upon “the systems and procedures already developed by ISED in assessing competing bids.”<sup>10</sup>
28. CCSA/ITPA notes ISED’s positive responses to the Commission’s requests for information regarding ISED’s ability and willingness to support the proposed funding regime.<sup>11</sup>
29. The Commission should not introduce an entirely new bidding model, with new administrative complexities such as regional funding envelopes and with limited flexibility to account for local needs that may not be satisfied with a “highest speed for lowest subsidy” approach.<sup>12</sup>

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<sup>8</sup> Rogers Communications Canada Inc. “Re: Telecom Notice of Consultation CRTC 2017-112 on the Development of the Commission’s Broadband Fund Regime and Further Process”, November 20, 2017 [hereinafter *Rogers RFI Response*] at Rogers(CRTC)16Oct17-4, p. 2 of 5.

<sup>9</sup> Shaw Cablesystems G.P., “Re: Telecom Notice of Consultation CRTC 2017-112, Development of the Commission’s Broadband Funding Regime”, November 20, 2017 at Shaw(CRTC)16Oct2017-4, p. 1of 3.

<sup>10</sup> *Ibid.*

<sup>11</sup> ISED Connecting Canadians Branch letter to CRTC, “Re: CRTC Broadband Fund - Response from ISED on CRTC’s Request for Information related to Telecom Notice of Consultation CRTC 2017-112 on the Development of the Commission’s Broadband Fund Regime and Further Process”, November 22, 2017.

<sup>12</sup> See British Columbia Broadband Association, “Re: BC Broadband Association’s Responses to Requests for Information Related to Telecom Notice of Consultation CRTC 2017-112 on the Development of the Commission’s Broadband Fund Regime and Further Process (File No. 1011-NOC2017-0112)”, November 20, 2017 [hereinafter *BCBA RFI Response*] at para. 12 which points out that “A lower bid could be achieved by using equipment that is less expandable, less future-proof, less rugged, less secure, and less sustainable overall. In a reverse auction process, if there is inadequate policing of network design and construction practices, rural Canadians will not get good value.” See also *Rogers RFI Response* at Rogers(CRTC)16Oct17-4, p. 4 of 5, which notes that “‘lowest cost’

30. The Commission should continue to develop and implement the comparative assessment approach laid out in its proposed regime. In so doing, the Commission should rely, to the extent possible, on procedures already implemented and tested by ISED.
31. With respect to the ISED model, CCSA/ITPA does wish to note, first, that the application process, while it has been simplified over time, remains daunting to smaller ISPs. Working with ISED, the Commission should seize the opportunity to simplify the existing application paperwork and processes wherever possible.
32. CCSA/ITPA also repeats its endorsement of the BCBA's recommendation, in BCBA's initial comments in this proceeding<sup>13</sup>, that some form of simplified application process or even a direct granting mechanism be explored for project funding proposals that fall below a set dollar threshold.
33. Finally, CCSA/ITPA recommends that the Commission consider the creation of tools that can assist smaller ISPs and communities with preparation of compliant funding applications. Such tools might include:
  - on-line examples of properly prepared funding application forms;
  - webinars and telephone resources to assist smaller entities with application preparation; and
  - an on-line portal that applicants can access to monitor progress of their applications, potentially receive and respond to deficiency notices and otherwise get the information they need throughout the application process.
34. CCSA/ITPA believes that smaller ISPs and community organizations throughout Canada have tremendous value to add in extending broadband services to areas outside the urban centres. The Commission's broadband funding program should be structured so as to leverage resources and networks that already exist in these areas and to unleash that value.

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does not equate to cost-effectiveness if the process would exclude projects for higher cost areas that are most in need of funding".

<sup>13</sup> British Columbia Broadband Association, "Re: BC Broadband Association's Comments on Telecom Notice of Consultation CRTC 2017-112 – Call for comments: Development of Commission's Broadband Funding Regime (File No. 1011-NOC2017-0112)", June 28, 2017 at para. 71.

### The Importance of Local Solutions

35. CCSA/ITPA notes the submissions of groups such as Eeyou and FMCC to the effect that the communities they represent have not been well-served by networks and services provided by the large ISPs.<sup>14</sup>

36. That is because the large incumbents' network builds and services do not always take specific local needs into account. Eeyou relates the following comment:

For example, in the Cree communities of Eeyou Istchee, when health and education services were customers of the ILEC, these services could not obtain enough bandwidth as the supply was limited and costly, and service was poor because of the technology the ILEC used. Nonetheless, both the Cree School Board and the Board of Health and Social Services of James Bay – Eeyou Istchee paid top dollar for this marginal connectivity. Today, with ECN fibre-optic service, these agencies can avail themselves of unlimited bandwidth and unlimited capacity – and they pay the same amount as they previously paid for limited service. Today as a result, there are telemedicine and distance education services across the region (this Spring to be delivered to ever [sic] home by FTTH).<sup>15</sup>

37. In CCSA/ITPA's experience, it is local service providers who best understand the community's needs and, more importantly, are the most motivated to secure the connectivity that their communities need to survive and thrive.

38. It is worth emphasizing that profit and return on investment are not necessarily the only or even the primary motivations for those local service providers.

39. As an example, Quadro Communications, a 3,100-member telecom co-op headquartered in Kirkton, Ont., "has already deployed fibre to the home to every farmhouse, barn and business in its four exchanges which sit in parts of Perth, Huron, Middlesex and Oxford counties in southwestern Ontario farm country about 45 kms north of London, Ontario."<sup>16</sup>

40. As a recent CARTT.ca article notes about Quadro's investment:

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<sup>14</sup> FMCC RFI Response at para. 3. ECN RFI Response at para. 18.

<sup>15</sup> ECN RFI Response at para. 18.

<sup>16</sup> CARTT.ca article, "THE INDEPENDENTS: Fibre to every last farmhouse, barn and business", December 20, 2016, accessed at <https://cartt.ca/article/independents-fibre-every-last-farmhouse-barn-and-business> on December 15, 2017 .

. . . folks living in places like Wartburg . . . , Woodham, and Sebringville have had access to Gigabit internet since the summer when the company completed an eight-year, \$20-million fibre build. It wasn't just to new, greenfield areas or to its more densely populated areas. Quadro has built fibre to everyone down every single county road in its territory.<sup>17</sup>

41. The same article quotes Quadro's cost to lay fibre as being "anywhere from \$10,000 to \$20,000 a kilometer". In some cases, that includes several kilometres of fibre needed to reach a single customer.
42. Such investments cannot be justified in terms of profit or ROI. So why do these companies do it? As John Alderman of Quadro put it, "There are areas and there are roads that make no economic sense to run the cable except there was a promise to all of our members to do it."<sup>18</sup>
43. Another Ontario CCSA member company, Cable Cable, Inc., based in Fenelon Falls has made similar investment decisions. In 2016:

The company told [CRTC] commissioners during that hearing about a new extension of its fibre optic broadband network to a community of about 300 homes which is situated just under nine kilometres from its existing wired plant. Cable Cable currently fills gaps to communities like that with its fixed wireless network but would prefer fibre. Assuming normal take rates for services in this village, payback on investment will be about 12 years, the CCSA and Cable Cable's CEO Mike Fiorini told commissioners, who didn't quite seem to believe what they were hearing. At that time in the proceeding, they were talking about potential subsidies to get broadband to rural communities like this in Canada, even though this one is less than a two hour drive from Toronto.<sup>19</sup>

44. CARTT.ca's editor added this note:

We had one executive from one of the big three carriers tell us, upon hearing about this exchange: "If someone came to a meeting of ours and proposed something like that, even anything further than five years for payback, they'd be laughed out of the room - or fired."<sup>20</sup>

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<sup>17</sup> *Ibid.*

<sup>18</sup> John Alderman, *Ibid.*

<sup>19</sup> CARTT.ca article, "THE INDEPENDENTS: Confounding commissioners (and others) for over 30 years", June 1, 2017, accessed at <https://cartt.ca/article/independents-confounding-commissioners-and-others-over-30-years> accessed on December 15, 2017.

<sup>20</sup> *Ibid.*

45. Many of these independent communications companies build and operate networks despite the lack of any solid economic case for doing so. They do that because they have a mission to provide services – however they can – to communities that desperately need those services.
46. Availability of funding support will enable local service providers such as these to connect more Canadians in rural and remote areas more quickly. As Cable Cable’s Fiorini put it:

Cable Cable currently has about eight small communities to which it plans to extend service with similar projects. An appropriate subsidy could greatly accelerate those projects.<sup>21</sup>

47. It is not just small ISPs that would benefit from such funding support. In its comments on the CRTC’s proposed funding program, the Alberta Association of Municipal Districts and Counties (“AAMDC”) said:

In Alberta, rural municipalities commonly partner with ISPs to co-develop broadband infrastructure. These agreements take many different forms, but in some cases municipalities take initial ownership of broadband infrastructure with ISPs purchasing operating rights. When the ISP develops the financial sustainability to take ownership of the asset, the municipality may sell to the ISP. One of the main reasons for this approach is that in rural Alberta, large ISPs with the financial capacity to pursue large capital projects are often not interested in rural areas because they see a greater return on investment in more densely populated urban areas. As a result, many small ISPs partner with rural municipalities in rural areas.<sup>22</sup>

48. Those comments align with the experience of CCSA/ITPA’s member companies. Those companies are accustomed to working closely with the municipal authorities in the areas they serve. Cable Cable’s Mike Fiorini notes that his company:

... works closely with the municipality because in many regions of Kawartha Lakes, Cable Cable is the lone fast fibre option. The company’s network links the municipal offices, fire halls, arenas (at which it offers free Wi-Fi), recreation

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<sup>21</sup> Michael Fiorini, *Ibid.*

<sup>22</sup> Alberta Association of Municipal Districts and Counties, “CRTC 2017-112: Development of the Commission’s Broadband Funding Regime”, June 12, 2017 at para. 30.

centres, water treatment plants, and other public works buildings. They just recently inked a new 10-year contract to service the municipality.<sup>23</sup>

49. The locally-driven models take many forms. In Olds, Alberta, the Olds Institute organized funding that resulted in the creation of CCSA member, O-Net, a highly successful venture that delivers modern broadband networks and services to the Town of Olds and, more recently, has been extending that service into adjacent communities.

50. In Winkler, Manitoba, a city of 15,000:

The city, which grew by 18 per cent in the last census, is paying telecommunications firm Valley Fiber \$500,000 to hook up every civic building and donating about 1.5 acres to build the company a headquarters and data centre. The money will come from the city's reserve funds and will not mean a tax hike.

In return, the company will provide free installation for every house and building in Winkler not owned by the city.<sup>24</sup>

51. In Winkler's case, the seed money being provided by the city is being used to attract further private and government investment in the project:

While Valley Fiber has the technology and has lined up investment partners, the project hinges on approval from the province's small business venture capital tax-credit program, where investments can earn a 45 per cent tax credit.<sup>25</sup>

52. These models share the characteristics of being locally-driven, involving cooperation among local ISPs and governments and the simple fact that they work.
53. A key element of such initiatives is reliance on the expertise and resources of locally-based ISPs while, at the same time, "de-risking" those ISPs with an infusion of government funding and private investment. As in the Winkler example, often, the private investment will follow only once an initial public funding commitment has been made.

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<sup>23</sup> Michael Fiorini, as quoted in CARTT.ca article, "THE INDEPENDENTS: Confounding commissioners (and others) for over 30 years", June 1, 2017, accessed at <https://cartt.ca/article/independents-confounding-commissioners-and-others-over-30-years>, accessed on December 15, 2017.

<sup>24</sup> Bill Redekop, "Winkler to have fastest Internet in country", in Winnipeg Free Press, March 7, 2017, accessed online at <https://www.winnipegfreepress.com/local/winkler-to-have-fastest-internet-in-country-415616004.html> on August 24, 2017.

<sup>25</sup> *Ibid.*

54. CCSA/ITPA strongly encourages the Commission to design the broadband funding regime to enable initiatives such as those just described and, more importantly, so that it does not foreclose such initiatives from access to funding support.
55. CCSA/ITPA also reiterates its prior comment regarding criteria for the engagement of local authorities; that is, while community support for a project may be a factor to consider in project evaluation, it should not be a firm prerequisite for funding.
56. Such a requirement could result in worthwhile projects being held up because local authorities want to extract concessions from a local ISP or because they are simply unable to organize evidence of their support.

57. As SaskTel put it:

Many small, rural communities are simply unable to dedicate the time and resources required; lack the organizational and financial capacity; and/or do not have the technical knowledge to participate in a meaningful way in large funding programs for broadband infrastructure. Even something as simple as a letter of support for an application by a third-party can be burdensome, often requiring council meetings and votes by elected members.

As such, requiring local community involvement as a pre-requisite to receive funding from the program could lead to many worthy communities not receiving funding for the simple reason they are unable to organize sufficiently or effectively to support an application.<sup>26</sup>

58. Rothschild & Co., Limited made the following comment along similar lines:

Based on our previous experience in attempting to involve local community representatives in infrastructure projects, we would submit that in most cases it is not productive to solicit local involvement at the project development or application for funding stage. We consistently found that community representatives understood whether existing broadband facilities met the needs of their community. But they typically lacked the experience and expertise to make an informed decision on the merits of one proposal over another.<sup>27</sup>

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<sup>26</sup> SaskTel, “Re: Telecom Notice of Consultation CRTC 2017-112 – Development of the Commission’s Broadband Funding Regime - SaskTel RFI Responses”, November 20, 2017 at SASKTEL(CRTC)16OCT17-6 NC 2017-112, p. 2 of 2.

<sup>27</sup> Rothschild & Co., Limited, “Re: Requests for Information Related to Telecom Notice of Consultation CRTC 2017-112 on the Development of the Commission’s Broadband Funding Regime and Further Process”, November 20, 2017 at p. 6.

59. CCSA/ITPA submits that, as the examples cited show – and as a growing number of public-private “intelligent communities” initiatives show – organic development of community-based broadband network facilities, driven by highly motivated local service providers, is a cost-effective and highly successful approach to extending broadband service to Canadians.
60. Whenever possible, the Commission’s broadband funding regime should enable and not foreclose such initiatives.

#### Wholesale Access

61. CCSA/ITPA notes that the RFI responses of a number of parties, including BCBA, Rogers, Bell, Cogeco, Eastlink and TELUS, align with its position that the case for requiring open access to last-mile access facilities is, at best, dubious while the case for regulation of wholesale access to transport facilities is both compelling and important.
62. With respect to regulation of wholesale access to last-mile access facilities, CCSA/ITPA agrees with Rogers’ assessment, as follows:

... wholesale obligations should not apply to access infrastructure that is built with support from the broadband fund. The economics associated with building access infrastructure in rural and remote communities are extremely challenging, since the population over which to recover the cost of investment is relatively low. The problem with imposing wholesale access obligations in these communities is that it will fragment the market among multiple service providers and will further reduce the opportunity for the initial service provider to recover the cost of its investment.<sup>28</sup>
63. As CCSA/ITPA has stated in its earlier submissions in this proceeding, historically, there has been little or no demand for wholesale access to serve customers in those low population-density markets.
64. Cogeco’s RFI response amplifies that notion as follows:

Cogeco concurs with Bell, Eastlink and TELUS that wholesale access should not be mandated for access infrastructure built with support from the broadband funding regime. As emphasized by Eastlink:

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<sup>28</sup> Rogers RFI Response at Rogers(CRTC)16Oct17-13, p. 1 of 2.



*“The very reason why these communities are underserved is because they are too costly to justify the business case for any service provider to build a communications infrastructure [...] Simply put, if a business case needs to consider the small subscriber base from which a service provider can recover its investment and ongoing operating costs, then any loss of subscribers to a competitor who is using its network to compete will mean the cost needed to subsidize the build will increase [...]”<sup>29</sup>*

65. CCSA/ITPA is intimately familiar with the extremely difficult competitive and economic environment in which its members operate. In that context, NPF-PIAC’s suggestion that absence of regulation of wholesale access to last-mile facilities “will leave applicants with sustained market power, which they will exploit through high prices”<sup>30</sup> is unsupportable.
66. Typically, the small ISPs that CCSA/ITPA represents survive by finding innovative ways to beat the large incumbents on price and service quality in their local markets. Funding support to extend their networks will not change that fact. It is wrong to suggest that those small ISPs will somehow exert “market power”, a power that they will never possess, to the detriment of their customers.
67. On the other hand, access to affordable transport facilities is a critical enabler of the localized, entrepreneurial activity that will drive last-mile networks further out into high-cost rural and remote service areas.
68. CCSA has described, in its past submissions, cases in which its members have been discouraged from going forward with capital projects, despite the availability of federal capital cost funding under the “Connecting Canadians” program. That is because, in such cases, the ongoing incremental cost of access to the added backhaul capacity needed to serve new customers defeated the economic case for their proposed network builds.
69. CCSA/ITPA agrees with Rogers’ assessment of the case for regulation of wholesale access to transport facilities:

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<sup>29</sup> Cogeco, “Re: CRTC File number: 1011-NOC2017-0112 – Telecom Notice of Consultation 2017-112 – Development of the Commission’s Broadband Funding Regime – Cogeco Responses to CRTC RFIs”, November 20, 2017, Response to Cogeco(CRTC)16Oct17, p. 17 of 19.

<sup>30</sup> National Pensioners Federation and Public Interest Advocacy Centre, “Re: Telecom Notices of Consultation CRTC 2017-112 and 2017-112-1 Development of the Commission’s Broadband Funding Regime: NPF-PIAC Responses to CRTC 16 October 2017 Request for Information”, November 20, 2017 at NPF-PIAC(CRTC)16Oct17-14, p. 39 of 60.

Imposing wholesale obligations for transport infrastructure will reduce the barriers to serving rural and remote communities by allowing prospective service providers to leverage transport infrastructure built with support from the broadband fund, rather than having to duplicate such infrastructure. At the same time, these wholesale obligations will not undermine incentives to invest in access infrastructure.<sup>31</sup>

70. Once again, from CCSA/ITPA's point of view, a vital component of a national broadband strategy depends on unleashing highly motivated local authorities and entrepreneurs to upgrade their existing networks, to extend those networks and to build new networks that will bring modern communications services to the communities in which those people live, work and run their businesses.
71. Affordable access to high-capacity transport links is an absolutely necessary foundation for that locally-based entrepreneurial activity. Regulated wholesale access to those links is a critical enabler of that activity.

#### Operational Costs

72. In its prior submission in this proceeding, CCSA/ITPA emphasized the point that networks built with support from the Commission's broadband fund must be sustainable. There is no point to applying funding to build networks that will not deliver communications services to Canadians well into the future.
73. That means that, for some high-cost service areas, some level of ongoing operational funding support will be needed.
74. CCSA/ITPA reiterates its point that such operational funding support is built into the existing contribution and subsidy regime for voice services. The Commission's proposed broadband funding regime will divert funding from voice to broadband service based on the premise that broadband service has become an integral part of the basic communications service.
75. However, the challenge of delivering communications services into high-cost serving areas has not changed. It is only the Commission's focus that is changing away from voice to broadband. The need for operational funding support continues in these high-cost service areas, regardless of the technology by which communications services are delivered.

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<sup>31</sup> Rogers RFI Response at Rogers(CRTC)16Oct17-13, p. 2 of 2.

76. For that reason, it is both reasonable and prudent to ensure that some portion of the available funding be directed toward ensuring sustainable delivery of broadband services into those high-cost areas.
77. As Blue Sky stated the issue:
- ... many ISP's have voiced concern for the fact that there will be places that under no circumstance will a business case ever be made to provide service without some kind of operational assistance, therefore we do support funding both capital and operational costs for all remote communities.<sup>32</sup>
78. In addition, as both CCSA/ITPA and Rogers have pointed out in prior submissions in this proceeding, the ongoing costs of access to support structures are quickly becoming a matter of real concern.
79. Recent OEB decisions have dramatically increased the rates that Ontario's provincial utilities are permitted to charge for third party pole attachments. CCSA/ITPA members are disproportionately affected by such increases because they must attach to many more poles per customer than their counterparts in densely populated urban markets.
80. CCSA/ITPA regards this as an issue that is likely to spread across Canada should utilities in other provinces build on the OEB decision precedents. This is likely to become an issue that has a disproportionate impact in rural and remote areas throughout Canada.
81. As a result, the need for allocation of some portion of the Commission's proposed broadband fund to the ongoing costs of network operation has become even more important.
82. While CCSA/ITPA cannot, at this time, offer a recommendation as to the percentage of funding that should be allocated to such costs, it does recommend that the Commission permit some portion of the fund to cover ongoing operational costs of networks in high-cost areas. Funds needed to cover operational costs would likely be specific to each project. Applicants could be requested to address operational funding requirements in their applications to the broadband fund.

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<sup>32</sup> Blue Sky Economic Growth Corporation, , "Re: Requests for Information Related to Telecom Notice of Consultation CRTC 2017-112 on the Development of the Commission's Broadband Funding Regime and Further Process", November 3, 2017 at p. 2.

## Conclusion

83. CCSA/ITPA recommends that the Commission continue to develop and implement the comparative assessment model that it originally proposed and, to the extent possible, use the well-understood and established mechanisms already being applied by ISED in its design of that model.
84. As it does so, the Commission should look for every opportunity to simplify the application and evaluation processes and to support applications by smaller entities with tools designed to assist them with the application process.
85. It should be the Commission's express goal to encourage applications from as diverse a base of applicants as possible. The Commission should seize the opportunity to obtain diverse and innovative project proposals from all types of potential participants.
86. As CNOC observed, a comparative assessment approach is the better way to do that because it does not, like a reverse auction process, effectively exclude certain classes of participants by its very nature:

. . . the comparative selection process does not limit its focus to the amount of subsidy that is being requested by the applicant. This opens the process to a much broader and more diverse set of applications and applicants. This wider range of applications might include proposed projects that require more subsidy yet offer more in terms of community and consumer benefits than the barebones broadband deployments that stand the greatest chance of winning in a reverse auction format.<sup>33</sup>
87. Such a process opens up the potential for funding support to all manner of locally-based and driven projects; projects designed with a thorough understanding of the local communities' needs and challenges.
88. Such projects can build on the high motivation to help their own communities survive and to thrive and the entrepreneurial drive that local service providers contribute.
89. In the words of the NEF Coalition, "Profitability cannot be the single most important driver of the provision of reliable high quality service to remote communities."<sup>34</sup> The examples that CCSA/ITPA has offered in this submission

<sup>33</sup> *CNOC RFI Response* at CNOC(CRTC)16Oct17-4 TNC 2017-112, p. 3 of 3.

<sup>34</sup> *NEF Coalition RFI Response* at NEF(CRTC)16Oct17-4 p. 1 of 2.

show that the smaller ISPs who serve remote and rural areas do, in fact, think far beyond the profit motive in prioritizing their projects.

90. In CCSA/ITPA's experience, this is how successful, locally-based initiatives get done and how they do, in fact, connect Canadians, as cost-effectively as possible, to modern broadband services.
91. To encourage such entrepreneurial activity, access to affordable transport facilities is vital. Those facilities must be accessible as a prerequisite to local communities and ISPs getting their network builds off the ground.
92. Currently, such affordable access is not available in many rural and remote areas. The Commission should regulate wholesale access to transport facilities.
93. Finally, there are many low-density, geographically challenging, high-cost areas in Canada in which networks, once built, cannot be profitably operated. If broadband communications services are to be delivered to Canadians in such areas, then some form of ongoing funding of operational costs in such areas will be necessary.
94. The Commission should allocate some portion of its funding program to subsidization of such costs.
95. CCSA/ITPA thanks the Commission for the opportunity to make these comments.

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