

Written Submission for the Pre-Budget
Consultations in Advance of the 2019
Budget

By:

Shaw)

August 3, 2018

List of Shaw Communication Recommendations for Budget 2019:

Recommendation 1: That, as we begin our transition to the 5G era, the government continue to implement pro-competitive wireless policies, to the benefit of all Canadians.

Recommendation 2: That the government, with the support of provinces and industry, develop a new pan-Canadian funding model to address remaining gaps in rural & remote broadband connectivity, connecting those Canadians and businesses who want to grow in the face of a changing economic landscape.

Recommendation 3: That the government amend the *Telecommunications Act* to regulate access to physical network structures, in order to ensure the successful deployment of competitive 5G network infrastructure across Canada.

August 3, 2018

The Honourable Wayne Easter

Chair, Standing Committee on Finance

House of Commons

131 Queen Street, 6th Floor

Ottawa, ON K1A 0A6

RE: Shaw Communications submission to the House of Commons Standing Committee on Finance's consultation in advance of the 2019 Budget

The following constitutes the recommendation of Shaw Communications Inc. ("**Shaw**") on behalf of itself and of Freedom Mobile Inc. ("**Freedom Mobile**") in connection with the above-noted consultation. Shaw is a leading Canadian connectivity company, proud to provide quality services to more than six million Canadians across the country. Our wireline division consists of Consumer and Business services. Consumer serves residential customers with broadband internet, Shaw Go WiFi, video and digital phone. Business provides business customers with internet, data, WiFi, digital phone and video services. The Wireless division, under the banner of Freedom Mobile, provides wireless voice and LTE-Advanced data services through an expanding and improving mobile wireless network.

Shaw respectfully submits the following recommendations to this committee:

Recommendation 1: That, as we begin our transition to the 5G era, the government continue to implement pro-competitive wireless policies, to the benefit of all Canadians.

We are at a significant moment for Canada's mobile wireless market, as we begin our transition to the 5G era and as true and sustainable competition from Shaw/Freedom and others begins to emerge.

5G has the potential to deliver enormous benefits to Canadians, both economically and socially. The scope of the impact of 5G is expected to be far broader and more transformative than previous leaps, including that from 3G to LTE, for example. 5G is not just about faster speeds for broadband, it also holds the potential to fundamentally change how Canadians live their lives and how Canadian communities, businesses and governments manage and deliver services, infrastructure and resources.

According to a recent report by Accenture Strategy, the adoption of 5G technology in Canada will propel innovation across industries, improving our standard of living and economy with an expected \$40B GDP uplift by 2026 and creation of 250,000 permanent

jobs¹. 5G networks will facilitate smart-city energy grids, transportation networks, autonomous driving, and water systems that will improve energy efficiency and safety across out country. And it is entirely possible that 5G's most profound impacts have yet to even be contemplated at this time.

It is hard to overstate the transformative impact that 5G will have on our economy and society. This new 5G environment will be characterized by ultra-connectivity, with countless devices within our homes, automobiles, workplaces and cities communicating with each other, all the time. In this environment, the connectivity market will play a bigger role than ever before. The Big Three national incumbents that currently dominate Canada's wireless market know this and they have the capacity and motivation to bid in excess of the value of the spectrum, in order to foreclose competitor entry into the 5G market. They have every incentive to ensure their dominance continues and is entrenched in the 5G era.

If the Big Three succeed in extending their dominance to 5G, the enormous potential of a dynamic, transformative 5G environment will be negatively impacted. Canadians and Canada will instead be left with a static, unresponsive market similar to what we've seen in wireless, prior to the recent emergence of strong competitors like Freedom. Failure to set aside spectrum for exclusive bidding by new competitors will result in existing spectrum concentration barriers persisting into the 5G era, further entrenching the dominance of the incumbents and limiting the potential benefit that 5G holds for the Canadian economy and consumers. Not only could consumers be subject to higher prices, a limited number of 5G providers could stifle development of third party applications by directly or indirectly limiting access to 5G networks to third party developers, which could have a profound effect on the ability of Canadian businesses to develop and innovate new products and services. This would hurt consumers and could cost billions of dollars in consumer value that would otherwise be realized through lower prices, more valuable and innovative services, and greater choice in the 5G marketplace.

The full benefits of 5G will only be realized if true competition takes hold in the Canadian wireless market. That is why it is crucial that the government maintain its current trajectory and continue to pursue policy measures designed to mitigate the risk that the static dominance of the Big Three will have on Canadians, and on the productivity and competitiveness of the Canadian economy.

¹ Accenture Strategy, "Fuel For Innovation: Canada's Path in the Race to 5G," June 9, 2018, online: https://www.5gcc.ca/wp-content/uploads/2018/06/CWTA-Accenture-Whitepaper-5G-Economic-Impact_Updates_WEB_06-19-2018.pdf (accessed June 28, 2018) ["Accenture Report"], at slide 1.

Recommendation 2: That the government, with the support of provinces and industry, develop a new pan-Canadian funding model to address remaining gaps in rural & remote broadband connectivity, connecting those Canadians and businesses who want to grow in the face of a changing economic landscape.

Unlike in the wireless market, Canada's broadband success story is the result of a combination of market forces, targeted subsidies, and a policy framework that encourages competition and choice. In the vast majority of markets in Canada, market forces can be relied on to ensure that Canadians have access to high quality, fast and reliable broadband. However, there is an availability gap, which persists in areas difficult to serve solely on a return on investment (ROI) basis.

This gap hampers the ability of businesses in those regions to compete in a digital world, and primarily relates not to broadband access but to broadband transport (commonly understood to mean a high capacity fibre optic transport link that connects to communities, and from which a local access network is then built out to individual homes and businesses).

The Connect to Innovate program, a promise of Budget 2016, did significant work in addressing this issue, but gaps do remain. Shaw was extremely pleased to have been approved for \$11.73 million in funding from the Connect to Innovate program for two projects in British Columbia that will connect 16 communities, including six indigenous communities, with a high speed broadband network.

As a next step, Shaw would recommend that the government convene interested stakeholders such as provincial governments and industry leaders to explore developing a pan-Canadian broadband strategy and fund. This strategic fund would look to address the remaining gaps in service, which are having a significant impact on the productivity and competitiveness of our rural and remote communities.

Incenting private sector investment in the transport layer of broadband networks will increase the quality, capacity, reach and reliability of broadband networks in all regions of Canada. It will foster innovative solutions for closing the availability gap and will propel last-mile connectivity applications and services.

Recommendation 3: That the government amend the *Telecommunications Act* to regulate access to network infrastructure, in order to enhance broadband expansion and ensure the successful deployment of competitive 5G network infrastructure across Canada.

As we face the dawn of the 5G era, it is in the best interest of all Canadians to have any regulatory barriers to the deployment of next-generation network infrastructure removed. One such barrier is the over-complicated regulatory patchwork of rules around

access to physical network infrastructure, namely utility poles, which are crucial to the deployment of broadband networks generally, and particularly in rural and remote communities.

In many rural and remote areas connecting fibre optic cables to existing electrical and utility poles is far more cost efficient than constructing new utility pole lines or burying these cables over long distances. The owners of existing poles tend to be provincially regulated electrical utilities. The annual rates charged to network providers for access to those poles are established using vastly differing methodologies, depending on the jurisdiction, and are prone to periodic and severe price hikes. For example, the Ontario Energy Board (“OEB”) recently established a rate of \$43.63 per pole, which is three and a half times more than the \$12.48 per pole rate set by the Canadian Radio-television and Telecommunications Commission (“CRTC”) for poles owned by Bell Canada.

These annual recurring costs have a significant impact on the economic viability of network operators to deploy networks, especially in rural and remote communities. Each province has a different regulatory regime and the uncertainty complicates capital and operational planning when it comes to building and maintaining inter-provincial networks, and ultimately weakens the business case for investing in new broadband networks in rural and remote areas. It also ties up much-needed resources in simply managing the accompanying multi-jurisdictional volume of red tape.

Furthermore, provincial utility boards have no mandate to advance broadband connectivity or innovation (unlike the CRTC). Despite the operational necessity of ensuring that national and inter-provincial network operators have access to this infrastructure, access to these structures is the only element of critical telecommunications network operations not currently subject to federal oversight.

This issue becomes even more critical in a world of 5G, which will require incredibly intensive investments in digital infrastructure and significantly more attachments to physical infrastructure.

During the upcoming review of the Telecommunications Act, the government must resolve this issue by expanding the CRTC’s jurisdiction to include oversight of access by network operators to infrastructure of all support structure owners, including provincially regulated utilities, and in doing so, empower the CRTC to resolve related disputes. With this minor legislative amendment, the Government can vastly simplify an over-complicated regulatory patchwork, and directly incent investment in broadband networks in hard to serve areas, opening up opportunities for Canadians across the country.

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