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By electronic mail

Standing Committee on Industry, Science
and Technology
Sixth Floor, 131 Queen Street
House of Commons
Ottawa, Ontario
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Attention: Danielle Widmer, Clerk of the Committee

Dear Ms. Widmer:

Subject: ITPA Submission for Consideration in the Committee's Study on
Broadband Connectivity in Rural Regions

1. The Independent Telecommunications Providers Association ("the ITPA") is pleased to provide this brief in relation to the Committee's Study on Broadband Connectivity in Rural Canada.

Introduction

2. The ITPA represents 22 small incumbent local exchange carriers who serve Canadians in rural British Columbia, Ontario and Québec and would like to commend the Committee for undertaking this effort. According to the news release issued by the Committee, dated 9 June 2017, the scope of this effort is as follows:

... developing a plan to improve rural connectivity... [and] make recommendations that identify and address:

- a) what constitutes acceptable high-speed service.
- b) the financial challenges of implementing high-speed services,
- c) the regulatory changes to encourage the implementation of high-speed service.

3. Rural broadband and efforts to close the digital divide between urban and rural Canada is a topic that has come to the national forefront in the past five or so years. Whether it be Innovation, Science and Economic Development's ("ISED") now expired Connecting Canadians program, its current Connect to Innovate program or the CRTC's recently announced broadband development fund, rural broadband and the challenges geography and population density pose to its deployment is on policy makers' minds at the federal and provincial level. Indeed, there is now over \$1 Billion in subsidy dollars committed to the effort at the federal level and even more when provincial and municipal commitments are considered. Combined with the contributions required of the private sector in these jointly funded programs the amounts that will be devoted to rural broadband are truly impressive.

4. However, even with these significant investments, there is widespread acknowledgement that even more will need to be done to completely address all broadband service gaps.

5. In addition, the ITPA observes that when all the players are accounted for, the policy and program field is already a crowded one that crosses jurisdictional boundaries. Despite this crowded field, the Committee can play a valuable role through this investigation, and amongst the various policy makers, by identifying unaddressed key irritants and challenges that are faced by rural service providers. Resolving the irritants described in the balance of this brief would make it possible for these providers to more fully focus on, and devote scarce resources to the continued roll-out of rural broadband networks.

6. The ITPA will address each one of the Committee's three areas of focus in turn and would respectfully recommend that the Committee issue a report making recommendations to the applicable federal ministries to address these irritants and challenges.

What constitutes acceptable high-speed service?

7. In 2016 the CRTC conducted an extensive investigation into the question of what constitutes acceptable broadband service for Canadians. It focussed on the question of what download and upload broadband speeds are needed to ensure that all Canadians are able to participate fully in the digital economy, regardless of where they happen to live. The ITPA was fully engaged in that regulatory process and made its own recommendations to the Commission on this question.

8. At the end of the day, the CRTC established new national broadband target speeds of 50 Mbps download and 10 Mbps upload. The ITPA agrees that this new national target is the appropriate one to take Canadians into the near to mid-term future. The ITPA also agrees that efforts (i.e. funding dollars) to close the broadband gap in Canada should be focussed exclusively on those areas that currently do not have access to this service level.

What are the financial challenges of implementing high-speed services?

9. ITPA member companies have been in the business of building rural telecommunications networks, first for telephone and more recently for broadband Internet, for over 100 years in many cases. Due mostly to their size, these companies have not been in a position to go to capital markets to raise funds for network expansion projects. As a result they have had to undertake expansion projects that self-fund, using very conservative business cases and uncommonly long payback periods, often exceeding 10 years.

10. The following recommendations would assist small service providers with improving the business cases for rural broadband deployments.

11. First of all, the ITPA agrees with the recommendation made by the Canadian Cable Systems Alliance in its brief to this Committee, dated 26 September 2017, that telecom infrastructure should be considered critical, national strategic infrastructure. The ITPA submits that the Committee should recommend that companies building telecom infrastructure should benefit from preferential financing terms from the banking sector.

12. The second irritant the ITPA would like to highlight is the matter of support structure rates, specifically yearly pole rental rates charged by the provincial hydroelectric companies – specifically in British Columbia and Ontario. This is a story of vastly divergent rates being charged for identical services only because hydro support structure rates are set by provincial regulators and the rates of Bell Canada and TELUS are set by the CRTC. It is irreconcilable in the minds of ITPA members that support structure rates should differ so widely, even in the same province, for identical services.

13. A number of years ago the Supreme Court ruled that hydro poles are under provincial jurisdiction. In keeping with our view expressed earlier that telecommunications networks are critical, national strategic infrastructure, the ITPA urges the Committee to recommend that the federal government begin negotiations with the provinces to transfer jurisdiction over hydro pole rental rates from the provinces to the federal government, thereby ending the existing patchwork quilt of support structure rate regulation. Ultimately, all support structure rates for activity regulated by the CRTC should be set by the CRTC.

14. Bringing pole rental rates under the CRTC's jurisdiction, and subject to its costing expertise, would serve to rationalize the prices of these services and inject needed certainty into the pricing of these critical inputs. Lowering hydro pole rental rates would stabilize a critical cost component for small rural telecommunications companies and enable them to redirect scarce resources away from inflated rents to the development and build out of new broadband networks.

Regulatory changes to encourage the implementation of high-speed service

15. Over the years, ITPA members have seized on new technologies to expand their service offerings to Canadians living in their operating territories. For example, ITPA members were among the first service providers in Canada to offer broadband Internet access services. In addition to telephone and Internet access, many members now offer broadcasting services over their rural fibre-to-the-home networks. When these three services are offered together in a bundle to customers it is commonly referred to as “the triple play”.

16. Despite the widespread availability of the triple play, many ITPA members are unable to make the natural progression to offering their customers “the quad play”, which would see mobile/cellular services added into triple play bundles. The main obstacle to this progression is the availability of affordable licensed wireless spectrum. Over the past few years ISED and its predecessor organization, Industry Canada, has held spectrum auctions that have awarded very valuable wireless spectrum to the large players in the industry – to the exclusion of small service providers.

17. These small service providers have been frozen out of these contests due to the large licensed areas used by ISED and by the auction process itself. Even the smallest license area used by ISED is far too large and contains far too many subscribers for small service providers serve in accordance with existing auction conditions. The auction process is excessively complex and costly thereby excluding small service providers that do not have the internal staff teams needed to participate, or the budgets to hire the necessary consulting resources.

18. Accordingly, the Commission should recommend that ISED investigate and implement ways to facilitate the participation of the many small rural providers in Canada in future spectrum auctions and to structure the auctions, with regards to Tier sizes etc., that would ensure outcomes that make sense for small service providers. Additional regional players in the wireless market would put price pressure on the big three cell providers that currently own approximately 90% of the Canadian wireless market.

19. Furthermore, this Committee should recommend that ISED investigate whether existing spectrum holders are living up to their licence commitments regarding the use of the spectrum throughout their licence areas. If there is unused spectrum being held by these companies, this Committee should recommend to ISED that this spectrum be made available to smaller service providers. One method that ISED could employ is a simplified, mandated and on-demand spectrum subordination system to redeploy unused spectrum to smaller service providers.

20. In addition to the recommendations made above, this Committee should recommend that CRTC and ISED regulations and reporting requirements be minimized to the extent possible for small service providers. In the case of telecommunications, regulation is intended to address market power considerations that are a consequence of size and economic power. Small service providers such as ITPA members have no market power in the face of the largest service providers in Canada. A reduction in the regulatory workload for small service providers would permit them to focus their attention on their core business strategy – expansion – as opposed to spending valuable time and effort on regulatory compliance.

21. Finally, the Committee should recommend that the CRTC review its regulations for Competitive Local Exchange Carriers – CLECs - to ensure that they are as streamlined as possible.

Summary of Recommendations

22. The ITPA has made the following recommendation this brief:

A) Telecom infrastructure should be considered critical, national strategic infrastructure that should benefit from preferential financing terms from the banking sector.

B) The federal government should begin negotiations with the provinces to transfer jurisdiction over hydro poles rental rates from the provinces to the federal government. Ultimately, all pole rental rates should be regulated by the CRTC.

C) The Committee should recommend that ISED investigate and implement ways to facilitate the participation of the many small rural providers in Canada in future spectrum auctions that would generate workable outcomes for small service providers.

D) The Committee should recommend that ISED investigate whether existing spectrum holders are living up to their licence commitments regarding the use of the spectrum throughout their licence areas. If there is unused spectrum being held by these companies, this Committee should recommend to ISED that this spectrum be made available to smaller service providers. One method that ISED could employ is a simplified and mandated spectrum subordination system to redeploy unused spectrum to smaller service providers.

E) In addition to changes needed in the wireless sector, this Committee should recommend that CRTC and ISED regulations and reporting requirements should be minimized to the extent possible for small service providers.

F) The Committee should recommend that the CRTC review its regulations for Competitive Local Exchange Carriers – CLECs - to ensure that they are as streamlined as possible.

About the ITPA

23. The ITPA is a trade association that was founded over 50 years ago by rural Independent telephone systems across Canada. The ITPA's website is www.itpa.ca where Committee members can find an interactive map of most ITPA members. These companies were established independently of the Bell system in the early 1900s because Bell indicated that it was concentrating its efforts in large cities and was not prepared to

incur the additional higher costs of serving rural Ontario. The ITPA currently has 22 member companies.

24. Independent telephone companies have evolved and grown their operations to offer wireline and wireless broadband Internet access, television and mobile wireless services in rural British Columbia, Ontario and Québec in small towns and rural and remote areas of the country. ITPA members include co-operatives, privately held companies and municipally owned systems.

Yours truly,

A handwritten signature in black ink that reads "Jonathan Holmes". The signature is written in a cursive, slightly informal style.

Jonathan L. Holmes

Appendix

Members of the Independent Telecommunications Providers Association

9315-1884 Québec inc.
Brooke Telecom Co-operative Limited
Bruce Telecom
City West Cable & Telephone Corp.
Cochrane Telecom Services
CoopTel
Execulink Telecom Inc.
Gosfield North Communications Co-operative Limited
Hay Communications Co-operative Limited
Huron Telecommunications Co-operative Limited
The Lansdowne Rural Telephone Company Limited
Mornington Communications Co-operative Limited
Nexicom Telecommunications Inc.
Nexicom Telephones Inc.
North Frontenac Telephone Corporation Limited
North Renfrew Telephone Company Limited
Quadro Communications Co-operative Inc.
Roxborough Telephone Company Limited
Sogetel inc.
Tuckersmith Communications Co-operative Limited
WTC Communications
Wightman Telecom Limited

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