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## **Standing Committee on Public Accounts**

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**EVIDENCE**

**Thursday, February 21, 2019**

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**Chair**

**The Honourable Kevin Sorenson**



## Standing Committee on Public Accounts

Thursday, February 21, 2019

• (0850)

[English]

**The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)):** Good morning, everyone.

This is meeting number 128 of the Standing Committee on Public Accounts for Thursday, February 21, 2019.

We are once again here in consideration of “Report 1—Connectivity in Rural and Remote Areas” of the 2018 fall reports of the Auditor General of Canada.

We're honoured to have with us this morning, from the Office of the Auditor General, Mr. Jerome Berthelette, the Assistant Auditor General, and Philippe Le Goff, Principal.

From the Department of Industry we have the Deputy Minister, Mr. John Knubley. We also have Lisa Setlakwe, Senior Assistant Deputy Minister, Strategy and Innovation Policy Sector. We also have Michelle Gravelle, Director General, Audit and Evaluation Branch.

From the Canadian Radio-television and Telecommunications Commission we have Mr. Ian Scott, Chairperson and Chief Executive Officer; Mr. Christopher Seidl, Executive Director of Telecommunications; and Mr. Ian Baggley, Director General, Telecommunications.

For those who may be interested, we are televised today. We had these folks with us before, but we were interrupted by votes in the House. Typically, all they did at that time was their opening statements. We didn't get into very much questioning.

They have complied with our request and are willing to again give us an opening statement. We thank them for that.

We will now turn our time over to Mr. Berthelette.

**Mr. Jerome Berthelette (Assistant Auditor General, Performance Audit, Office of the Auditor General):** Thank you, Mr. Chair, for this opportunity to discuss our fall 2018 report on connectivity in rural and remote areas. Joining me at the table is Philippe Le Goff, the principal responsible for the audit.

This audit focused on whether Innovation, Science, and Economic Development Canada and the Canadian Radio-television and Telecommunications Commission, according to their respective roles and responsibilities, monitored the state of connectivity and developed and implemented a plan to meet the connectivity needs of Canadians in remote and rural areas.

[Translation]

Over the past 12 years, detailed examinations of the state of broadband access in Canada have included recommendations that the federal government lead the creation of a national broadband strategy. However, at the time we finished our audit, the government had still not agreed to take that step.

Innovation, Science and Economic Development Canada indicated that it was reluctant to establish a strategy with an objective that could not be reached with the available funding. The department had continued to follow an approach that expanded broadband coverage to underserved parts of the country according to when funds were available.

This approach left people in rural and remote parts of the country with less access to important online services, such as education, banking, and health care, and without information about when they could expect to have better access.

On October 26, 2018, the Minister of Innovation, Science and Economic Development announced that the federal, provincial, and territorial ministers for innovation and economic development agreed to make broadband a priority and to develop a long-term strategy to improve access to high-speed Internet services for all Canadians.

Ministers committed to a goal of establishing universal access to Internet speeds of 50 megabits per second download and 10 megabits per second upload.

Mr. Chair, with respect to the current state of connectivity in Canada, we found that the department relied on complete and accurate data to inform policy-making aimed at addressing the connectivity gap in rural and remote areas.

[English]

In 2016, the government launched its connect to innovate funding program to bring high-speed Internet to 300 rural and remote communities in Canada. We examined whether the department designed and managed this program to maximize the value for taxpayers. We found that the department did not implement the program in a way that ensured the maximum broadband expansion for the public money spent. The program did not include a way to mitigate the risk that government funds might displace private sector funds.

We also found that the department did not provide key information to potential applicants for funding under the program. As a result, some applicants had to invest more effort in preparing their proposals, and all applicants lacked full knowledge of the basis for selecting funding proposals. For example, there were a number of considerations for selecting projects, but the application guide did not specify the relative weight of each criterion used in the project selection process. Also, projects were less likely to be funded if they did not align with provincial and territorial priorities. However, these priorities were not made public. In our view, the department should have made the weights and priorities public.

Many Canadians in rural and remote areas had to rely on fixed wireless broadband solutions. We found that small Internet service providers did not have sufficient access to high-quality spectrum to support broadband deployment in rural and remote areas. For example, the department auctioned spectrum licences for geographic areas that were too large for smaller service providers to bid on. The secondary market for unused spectrum did not function well, partly because licensees had little business incentive to make unused spectrum available for subordinate licensing. In addition, the information on unused spectrum was not readily available to interested Internet providers.

[Translation]

Innovation, Science and Economic Development Canada and the Canadian Radio-television and Telecommunications Commission have agreed with our six recommendations, and we understand that the department has prepared a detailed action plan.

Mr. Chair, this concludes my opening remarks.

We would be pleased to answer any questions the committee may have.

Thank you.

[English]

**The Chair:** Thank you very much, Mr. Berthelette.

We'll now turn to our deputy minister, Mr. Knuble, for his comments.

**Mr. John Knuble (Deputy Minister, Department of Industry):** Thank you, Mr. Chair.

Overall, the Government of Canada sees connectivity and broadband as a critical enabler. It really is the way for all Canadians to participate in economic growth, innovation and social inclusion.

Overall, we also agree with the recommendations of the Auditor General. I thought I should, at the outset, acknowledge the contribution of the former Auditor General Ferguson. We had several heated conversations—good conversations—about this topic.

• (0855)

**The Chair:** Thank you.

[Translation]

**Mr. John Knuble:** I want to start by thanking the Auditor General and his office for their report. This is an extremely important set of issues. We accept the recommendations and are moving forward to improve rural and remote connectivity.

[English]

I have just a few words, then, on the three specific areas of comment in the Auditor General's chapter: first, on strategy; second, on programs; and third, on spectrum.

On strategy, we agree on the need for a connectivity strategy, particularly in light of the CRTC decision in December 2016 declaring broadband a basic service and setting that 50/10 target. I personally believe that this declaration has created a significant inflection point for the delivery of broadband, which has required us to move from an evolutionary, step-by-step approach, addressing gaps, to a more collaborative, integrative approach to broadband.

As a basic service, the department's broadband programs predate this announcement from CRTC. As I said, they were designed to be step by step and to focus on specific gaps in services, coverages and speed. We focused on closing the gaps in speed between urban and rural areas in a way that carefully balances the public interest and private investment. We do want to avoid crowding out private investment in whatever we do.

I would also want to stress to members and to the chair that connectivity is very much a moving target. Technology is constantly changing and improving, and in this context, strategy is important, particularly as we set specific goals. However, it's constantly evolving. Only a few years ago our target was five and one, as opposed to 50 and 10.

As indicated earlier, work was already under way on a strategy this past spring. We established a federal-provincial-territorial connectivity committee. Federal-provincial groups have existed before, but we formalized it.

In June, the department launched a national digital and data strategy consultation, in which connectivity was the foundational component.

On September 25, Minister Bains released the economic strategy tables report, which focused on six sectors. This included the importance of broadband and digital infrastructure for economic growth, innovation and social inclusion.

Finally, on October 26 of last year, the federal-provincial-territorial ministers met. They agreed as a group to make broadband a priority, and to work together to that end. They agreed to a set of connectivity principles and to develop a long-term strategy to improve access for Canadians to high-speed Internet and mobile services. In other words, they accepted the 50/10 goal and the objective of serving Canadians with broadband as a basic service.

They did announce three specific principles: access to ensure reliable, high-quality service; collaboration to leverage all partners, and end fragmentation; and effective instruments, especially targeting market failures, so that government supports this where it is most needed in a real world context and does not crowd out private investment.

I would like to end my comments on the strategy by reminding members that the department has been very active in the digital and connectivity space for many years. It goes back to Minister Manley. There was a national broadband task force in 2001, led by David Johnston. If you look at their principles—I suspect I'll point them out to you later—you will see that they are remarkably similar to ones that are at the heart of our new strategy. The department has been committed for many years to providing programming around education related to digital and broadband activity. I can talk to you about some of those programs.

The second area of focus for the Auditor General was our two programs: Connecting Canadians, a \$240-million, five-year program launched in 2014 to install last-mile connection for households; and our more recent program, connect to innovate, a \$500-million, five-year program launched in 2016 primarily to support new backbone infrastructure to connect institutions such as schools and hospitals, and to ensure that communities have access to broadband.

• (0900)

I do want to stress that the findings of the audit focus solely on the design phase of the connect to innovate program. That's where we were at the time of the work of the Auditor General. I am pleased to report, and I have been asked to do so by Minister Bains, that the program will connect 900 communities across Canada. That's three times the program's original target of 300 communities.

Of the 900 communities, 190 are indigenous communities, some of them in the direst need of better high-speed Internet. I want to stress that above all what was targeted in this program were the areas of highest need for rural broadband, typically where the private sector is not inclined to go and that, overall, our \$500 million program leveraged another \$500 million, so that \$1 billion is dedicated towards improved connectivity.

Let me just turn to the issue of spectrum and the issues raised there by the Auditor General. We certainly agree that the impact on rural and remote areas is a very important consideration when developing spectrum activities or licensing frameworks. We continue to develop policies that encourage service into rural areas to ensure that all Canadians will benefit from high-quality services, coverage and affordable prices. For example, we've just published a consultation on the development of similar geographic service areas for spectrum licence, known as the tier 5 consultation, which was referenced in the Auditor General's report.

What we have been doing is trying to drill down to a smaller geographical service areas so that we have a better understanding and mapping of what can be available to Canadians.

Also the 600 megahertz spectrum auction is scheduled to take place shortly. This spectrum can provide expanded rural coverage, specifically because we set aside 40% of the spectrum for regional service providers.

Let me conclude by just reaffirming that we recognize how important affordable high-speed connectivity and broadband is for rural communities and Canadians and that we all work very hard to ensure that we service and meet the objectives related to that.

Thank you, Mr. Chair.

**The Chair:** Thank you very much, Mr. Knublely.

Now we'll move to the Canadian Radio-television and Telecommunications Commission and Mr. Scott.

Go ahead, please.

[*Translation*]

**Mr. Ian Scott (Chairperson and Chief Executive Officer, Canadian Radio-television and Telecommunications Commission):** Good morning, Mr. Chair.

[*English*]

Members, I'll forgo introducing myself and my colleagues, as the chairman has already done so.

We appreciate the opportunity to appear before this committee to discuss the findings of the Office of the Auditor General and to explain the CRTC's role in increasing connectivity for Canadians living in rural and remote areas of our country.

As the Auditor General's report noted, the commission has a limited but important role to play. Our job as an independent regulator is to ensure that Canadians have access to a world-class communication system that promotes innovation and enriches their lives. We believe that all Canadians, no matter where they live, should have access to broadband Internet services on both fixed and mobile networks. As the Auditor General's report underlines, connectivity is vital in today's world. Broadband is the critical tool we use to communicate with each other, educate and entertain ourselves, find information, apply for jobs and do routine activities from banking to accessing health care and other government services.

So Canadians need access to an unfettered Internet experience.

[*Translation*]

While we don't hold all the levers, there are areas where the CRTC can—and is—helping to advance this goal. A perfect example is the CRTC's December 2016 announcement that broadband Internet is now considered a basic telecommunications service.

[*English*]

At the same time, we established a new universal service objective, as just mentioned by the deputy minister. We call for all Canadians to have access to fixed broadband services at download speeds of at least 50 megabits per second and upload speeds of 10 megabits per second, as well as access to an unlimited data option. The latest wireless technology, currently known as LTE—long-term evolution—should be available not only in Canadian homes and businesses but also on major roads in Canada. By the end of 2021, we expect that 90% of Canadian households will have access to speeds matching the universal service objective. By our current estimates, it will take another decade or so after that for the remaining 10% to join them.

Mr. Chairman, 84% of Canadians have access to the Internet at the new speed targets today. However, many people, particularly those living in rural and remote areas, can only dream of this level of service. While 97% of households in urban areas have access to service that meets the universal service objective, only 37% in rural areas have similar access.

● (0905)

[Translation]

As a result, 16% of Canadian households or nearly two million Canadians still don't have access to the universal service objective speeds or unlimited data option. Fast, reliable, high-quality Internet is simply out of reach, whether physically or financially, in many parts of the country.

That message came through loud and clear during the CRTC's public hearing on basic telecommunications services. We heard from more than 50,000 people—individual Canadians, business owners and leaders of indigenous communities. Many of them told us they're being left behind in the digital age.

[English]

Coverage gaps, of course, vary by region. Smaller maritime and prairie communities often do not enjoy the high speeds of major urban centres. The worst off and most in need are almost always found in the Canadian north.

Efforts to close these gaps need to be coordinated, as they are a shared responsibility among numerous players. Beyond the CRTC, this of course includes Innovation, Science and Economic Development, as well as the provinces and territories, indigenous governments, the telecommunications industry itself and non-governmental organizations.

For its part, the CRTC has announced a new broadband fund. It will provide up to \$750 million over the next five years to help pay for infrastructure to extend Internet and mobile wireless services to underserved areas. Our objective is to ensure that rural residents have comparable service to those in urban areas.

Of that \$750 million to be made available, up to 10% of the annual total will be provided to improve services in satellite-dependent communities. These are communities that rely exclusively on satellite transport to receive one or more telecommunication services, such as telephone, fixed and mobile wireless, and Internet services.

Of course, when we launch our first call for applications this year, it will be important for potential applicants to know where the greatest needs are located. We agree with the Auditor General's report on this issue.

[Translation]

Last month—it has actually been a few months now—we published maps indicating the areas of the country that do not have access to broadband speeds of 50 megabits for download and 10 megabits for upload. The maps also identify communities without high-capacity transport infrastructure and where homes or major roads do not have access to LTE mobile wireless service. In short, the areas of the country that do not currently meet our universal

service objective. We have asked Internet and wireless service providers to verify the accuracy of our maps.

This is consistent with our overall approach regarding broadband data. We make information available to the public in as much detail as possible, while respecting the confidentiality provisions of the Telecommunications Act.

In fact, we will soon publish an update to our annual communications monitoring report that will provide fresh data on broadband availability and other related information.

● (0910)

[English]

Moreover, a memorandum of understanding was established a number of years ago between the CRTC and Innovation, Science and Economic Development Canada. This agreement governs our collaboration and the data that is shared between our organizations. We're committed to sharing information on broadband infrastructure to support evidence-based decision-making. We're also committed to working with all levels of government as part of a collaborative effort to provide broadband Internet service to underserved Canadians.

Since announcing the details of our fund late last year, we've met with representatives from provincial and territorial governments, as well as all the relevant federal departments, to explain how the fund will work and to understand their broadband funding plans.

Mr. Chairman and members, extending broadband and mobile coverage to underserved households, businesses and along major roads will require billions of dollars in investment and infrastructure. There is no doubt that this objective is an ambitious one, in part because of our vast geography and shorter construction season in many parts of the country.

The CRTC's broadband fund is obviously just one part of the equation. It is meant to be complementary to but not a replacement for existing and future public funding and private investment.

Having detailed, accurate and up-to-date information at the disposal of the public and policy-makers will ensure that the funds are being directed to the most appropriate projects and communities. There's also no doubt that much work remains to be done. I'm confident, however, that this objective will be met in the same manner that railways and electrical grids were built in the past, by connecting one community at a time.

[Translation]

Thank you very much.

We will be happy to answer any questions you may have.

[English]

**The Chair:** Thank you very much, Mr. Scott and all, for your presentations.

We'll now move into the first round of questions. The first round is a seven-minute round, and I welcome Mr. de Burgh Graham.

**Mr. David de Burgh Graham (Laurentides—Labelle, Lib.):** First of all, Mr. Berthelette, at the outset, condolences for the loss of Michael Ferguson.

Many more communities got service than intended in the program. The program had a target of 300 and, as we just heard from Mr. Knubley, some 900 communities got service, including some 190 indigenous communities. How is this a failure?

**The Chair:** Mr. Le Goff.

**Mr. Philippe Le Goff (Principal, Office of the Auditor General):** I don't see that as a failure.

**Mr. David de Burgh Graham:** I want to make sure of that.

In my own riding, some \$13 million in federal money out of a \$47 million project will put 16,000 households across 17 municipalities on fibre optic in a territory three times the size of P.E.I. In what way did we not get value for the money we spent?

**The Chair:** Mr. Le Goff.

**Mr. Philippe Le Goff:** Mr. Chair, I think I cannot comment on a specific case like that. We looked at the design of the program at the time of the audit, simply, and we determined that the approach would not facilitate value for money.

**Mr. David de Burgh Graham:** Would not facilitate or did not achieve value for money? What we see in the projects that I've seen across the country is quite good value for the money considering that it typically costs \$2,000 or \$3,000 per household to connect rural to fibre. In a lot of cases, this program came in well below that.

I'm trying to understand the basis on which this didn't get value for money.

**Mr. Philippe Le Goff:** Mr. Chair, again, I would say that we looked only at the design of the program. It was among the criteria design determined by the department at the time that they would not focus really solely on value for money, but they had other criteria to make decisions.

**Mr. David de Burgh Graham:** Is that a bad thing?

**Mr. Philippe Le Goff:** I would submit, Mr. Chair, that the audit was designed to look at value for money, and it's what we looked at. We concluded on this thing.

**Mr. David de Burgh Graham:** In the opening comments, there was a reference by Mr. Berthelette about displacing private funds. I find it to be a big, red flag when I hear that, because it's based on an assumption that private funds are interested in coming to these communities. What we see is that private funds don't come to the communities; they go into the downtown core of a rural area, if there is a downtown core of a village, and they'll offer service there, but

everybody out of range, just forget them; they're not worth funding and not worth investing in. Private companies only come to those areas when the public invests money, and then they say they're going to lose their market share, so now they're going to start investing.

I have a lot of trouble swallowing the concept that this program in any way displaced private funds. If anything, private funds tend to displace public funds when they arrive.

How do you see that assessment?

• (0915)

**Mr. Philippe Le Goff:** Mr. Chair, I would say that our main concern about this was that, in some cases, private funds could have been spent anyway despite the program. Because the program existed, the private funds took advantage of that.

**Mr. David de Burgh Graham:** On that basis, the 4,000 communities that have not yet received funding should, more or less, all have private investment coming in and we shouldn't need to continue to worry about this.

**The Chair:** Mr. Berthelette.

**Mr. Jerome Berthelette:** Mr. Chair, I think the philosophy behind the programs of the department is that they're looking to private funds to expand broadband. So when we looked at the program, we were looking at how you maximize private funding. There will be cases where private funds are not going to be made available because of the isolation of the communities, perhaps, and the cost. However, there may be cases where a combination of private funds and public funds is going to be needed, and ideally we will look to the department to make sure that it maximizes private funds and maximizes the benefit that we get from the public funds.

I think what we heard today is that they've managed to get a one-for-one investment from the private funds, and I think that's probably a good thing.

**Mr. David de Burgh Graham:** In the audit, it sounds as if you're not happy with that, but here you're saying you are happy with that. Are we happy with how the program went?

**Mr. Jerome Berthelette:** I think that, at the time, we were looking at how the program was designed. We were looking at making recommendations that would help to ensure that the department achieved its goal, which was to try to maximize the private funds. At this point, with the knowledge we have, I'd say they're being fairly successful at achieving that goal. But we haven't audited this, so I think I will hold off on saying whether it is as successful as it could be until we've actually audited what has transpired so far.

**Mr. David de Burgh Graham:** Okay. My assessment of what I'm seeing is that, if there's any problem to identify here, it's that there simply wasn't enough money in the program to begin with. But as for the operation of the program, I have trouble finding the problems that have been identified in the audit.

I do have questions for the other witnesses as well, and I'll move on to them. I might come back to you later on.

Mr. Scott, you mentioned that you have a limited but important role. Do you find the CRTC's hands are tied in any way, and is there any way for us to help untie them?

**Mr. Ian Scott:** No, I don't believe the commission's hands are tied in any way. We have a very constructive working relationship with ISED in relation to these and the development of broadband maps and ongoing coordination. We too will assist the department in the federal-provincial-territorial discussions. So, no, the commission has a somewhat different role because we are an arm's-length, independent agency, so there are times when we are more insular, for lack of a better term. We must be, to respect our arm's-length relationship.

No, there are no impediments to our working toward fulfilling these broadband objectives.

**Mr. David de Burgh Graham:** One of the problems that I keep running into is market position abuse by a large telecom, mainly Bell, in our area. Do you have the tools in your mandate to deal with the problems brought up by vertical integration in telecom and market position abuse, for example, making it very, very difficult to get onto hydro poles to put a new fibre line on for a different company?

**Mr. Ian Scott:** There are a number of elements packed into that question. Perhaps I'll—

**Mr. David de Burgh Graham:** Feel free to take it apart.

**Mr. Ian Scott:** —take the last one first.

You're aware, I'm sure, that there is currently a review of both the Broadcasting Act and the Telecommunications Act under way. The government established a review panel that will be making its recommendations. We've made a public submission to that panel. One of the issues we have highlighted is the current and future importance of passive infrastructure, in particular as we look toward the deployment of 5G mobile technology. There will be more and more devices to be deployed not only on traditional rights of way, whether they be provincial or municipal, and poles, but also things like municipal-controlled or -owned bus shelters, lamp posts and so on. This will represent a formidable challenge in the future, and we have pointed out that as the legislation is reviewed, it will be very important that parliamentarians pay particular attention to that issue, so that we have a resolution, so that we'll be able to ensure that both broadband and wireless technology in the future is effectively deployed.

• (0920)

**The Chair:** Thank you very much, Mr. Scott and Mr. Graham.

I will now move to the opposition and Mr. Dan Albas.

Welcome to the committee. You have seven minutes.

**Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC):** I certainly appreciate all of the testimony here today. I look forward to your expertise on this report.

Further to Mr. de Burgh Graham's comments, I heard the member for Pontiac last night bragging about how much money they'd

received in a largely rural area. The reality for people in Logan Lake is quite opposite from that of Mr. de Burgh Graham. You'll have a café owner who can't get sufficient download speeds to charge their customers' Interac and they have to give free coffees that day. That's a problem. I certainly appreciate that we're focusing on it, and I appreciate the Auditor General making this one of his audits.

I'll start with the CRTC. Mr. Scott, why did you cut your speed target in half from 50 megabits down to 25 megabits?

**Mr. Ian Scott:** I am very pleased to answer that question because the premise is incorrect, with all due respect. We did not cut it. The target is 50 and we look forward to seeing that target fulfilled.

In the decision that we released when we set out all of the details for how one could apply for the fund, we allowed that we'd accept—in certain circumstances—applications for 25 megabit service where it can clearly be scaled up to 50. The reason for that is if we had not made that decision, there would be a lot of communities that would wait until well after 2021 because they simply couldn't get to 50 from where they are today, which might be three, four or five megabits per second.

We were not limiting but expanding the potential number of communities.

**Mr. Dan Albas:** Sir, with all due respect, you can say that you did not cut it in half, but the reality is that your proposals for projects mandate a speed of 25 megabits and half of the proposed target. To the Canadians I speak to, that sounds a lot like a cut. If you think that 50 megabits is necessary, why would you only accept projects that seek to deliver half of that?

**Mr. Ian Scott:** For the reason I just said. If we insist on accepting applications that can only reach 50 megabits, many of those communities will not be included. It's not to say that they will not get to 50. We will only consider applications at 25 megabit per second that have a clear path to 50. It will result in more communities receiving a higher grade of service sooner than they otherwise would.

**Mr. Dan Albas:** It does sound, sir, like you're saying that there are two-tier communities. While I do recognize there are costs and there are unique situations, one would think that you would come forward with an actual project plan that would deal with that.

**Mr. Ian Scott:** We have, sir.

**Mr. Dan Albas:** We'll let Canadians decide, sir.

I'd like to move over to Mr. Knubley.

Deputy minister, I asked you a few months ago if your department would ensure that rural fixed wireless customers would not be negatively impacted in the upcoming government clawback of the 3,500 megahertz. At that time, you expressed to me that you would do your darndest to make sure that rural residents weren't negatively impacted. Is that still your position on this critical issue? I'm hearing concerns from rural Canadians that think the opposite.



**Mr. John Knubley:** That's still my position. The 3,500 issue has not yet been moved forward, but it will be in due course. As I mentioned in my opening remarks on the 600 side, we did set aside 40% of the spectrum for rural purposes.

● (0925)

**Mr. Dan Albas:** Sir, I do appreciate that this is a very complex file, but when your department is speaking about clawing back the 3,500 megahertz spectrum and there's no certainty that they're going to keep it, that is cold comfort.

Further in the Auditor General's report there have been many calls for a complete strategy to addressing the deficit in Internet access for rural and remote Canadians. Even in your own comments you talked about very well-known Canadians—David Johnston, former minister Manley—who have worked long on setting out some of the basic principles toward seeing a national standard and to see rural Canadians fully joining the economy.

So far, the government has refused to produce such a strategy as the Auditor General sought. Why the refusal to develop a strategy thus far? What is the status of the strategy spoken of in the report?

When Canadians hear that the principles have been outlined since 2001 and yet they have the Auditor General saying that those principles have not been formulated in a plan, you can see some of the skepticism. Again, I go to places like Logan Lake, Keremeos and Princeton, where they have concerns about their high speed.

**Mr. John Knubley:** The strategy since 2001, consistent with the Johnston task force, has been to do with a staged approach to addressing the gaps in the broadband service for Canadians. We have had five programs since 2001, contributing \$1 billion overall, from a government perspective, to addressing and fixing these gaps.

In light of the decision that broadband is a basic service and our goal of 50/10 megabits, we are working with provinces and the private sector, recognizing that we have a common objective. We have a time frame of addressing this 10% in 10 to 15 years. Again, we formalized, much more than in the past, our working groups at the federal-provincial level. As I mentioned, the ministers met last fall and committed to meet the goal of 50/10 and to develop an integrated strategy related to this. In that context, officials are working together to develop, province by province and territory by territory, how we will proceed on this basis.

**Mr. Dan Albas:** Sir, that does sound oddly like a plan to have a plan. Can you tell us what its status is? When will this plan be forthcoming?

**Mr. John Knubley:** We have a plan. We have an objective of 50/10. We know that there is another 5% that will evolve through the private sector in the next five years, and we are working together with all the stakeholders to address this 10% gap.

**Mr. Dan Albas:** Okay, well again, an objective is, I think, Mr. Chair, different than a plan.

**The Chair:** Thank you, Mr. Albas and Mr. Knubley.

We'll now move to Mr. Christopherson, please, for seven minutes.

**Mr. David Christopherson (Hamilton Centre, NDP):** Thank you, all, for being here again.

I want to start, as I often do, with the focus right at the beginning.

On page 6, it says:

This audit focused on whether Innovation, Science and Economic Development Canada and the Canadian Radio-television and Telecommunications Commission, according to their respective roles and responsibilities, monitored the state of connectivity, and developed and implemented a strategy to meet the connectivity needs of Canadians in rural and remote areas.

The conclusion on page 26 says:

We concluded that Innovation, Science and Economic Development Canada and the Canadian Radio-television and Telecommunications Commission, according to their respective roles and responsibilities, monitored the state of connectivity

—so, congratulations—

but did not share enough detailed information publicly. We also concluded that Innovation, Science and Economic Development Canada did not develop and implement a national strategy to improve broadband Internet connectivity to a specific service level in rural and remote areas.

That's going to be the focus of my comment.

However, I do want to start on a positive note and, where I can and where it's deserved, give some credit. Mr. Berthelette, in paragraph 5 of his opening remarks, advised:

Mr. Chair, with respect to the state of connectivity in Canada, we found that the Department relied on complete and accurate data to inform policy-making aimed at addressing the connectivity gap in rural and remote areas.

So, by the looks of it, you did a good job on data. Data has been a major priority for us in this term of Parliament, so congratulations on that. That's well done.

Now I want to get to this business of a national strategy because there is a piece missing and I'm not getting it. There are 12 years of studies that say that we need a national broadband strategy. Yet, Mr. Berthelette, you say in the third paragraph of your opening remarks.... To be specific, it states that for 12 years we have needed a national strategy.

It says:

However, at the time we finished our audit, the government had still not agreed to take that step.

I know that they have, subsequently, but at the time, no.

Innovation, Science and Economic Development Canada indicated it was reluctant to establish a strategy with an objective that could not be reached with the available funding.

Mr. Berthelette, would you just expand on that, please? It sounds backwards to me, but again, if you would just reiterate your findings....

• (0930)

**The Chair:** Mr. Berthelette, or is it Mr. Le Goff?

**Mr. Philippe Le Goff:** Mr. Chair, at the time of the audit the department was provided with a set amount of money that was, from its perspective—and I think we can share that perspective—not enough to meet the needs of Canadians.

**Mr. David Christopherson:** Well, thank you. That's the way I read it too, and I just wanted to hear it straight up, because it seems to me, in the three and a half decades I've been in public life, that whenever we're faced with a public challenge, the first thing we do is to get a strategy, to get a plan, and then start working at getting the funding. And if we can't get all the funding up front, then there is a phase-in and we can get into the politics of when that money kicks in.

However, the idea that we don't do a strategy because the money is not there up front makes no sense at all to me. I will turn to the deputy.

Help me understand why, when there were repeated recommendations that there needed to be a national strategy, your department didn't do a strategy because you didn't have sufficient funds. I don't get it.

**Mr. John Knubley:** I think it is important for members to understand that since 2001 there has been a staged approach, which is a strategy, to closing gaps in broadband. The strategy has been to identify where there are areas of greatest need and to address those.

What has happened as a result of the declaration in December, 2016 that broadband is a basic service and that we agree as a country on moving towards a 50/10 goal—because in the past there have been different views on what the goal should be, and whether it should be 5/1, 30, or 50/10—is that we are now in a position, thanks to the CRTC I would say, to work together in an integrated way to really address the issues together, along with the provinces, private sector, etc.

I would make just one more point about that staged approach. I think that the underlying policy issue at play always, and it continues to be even in this new integrated world we're in, is how to ensure that we get value for money and do not crowd out what private sector input would normally occur.

So there is always a balancing act going on between what is the public interest in closing these gaps and how we work with the private sector, and indeed with provinces and communities, to ensure that there is value for money as we go forward.

**Mr. David Christopherson:** Yes, I appreciate that. I'm sorry, sir. It was nice and it was somewhat informative, but it didn't answer my question.

My question is, why wasn't a strategy put in place? I hear you. It sounds as though there were bits and pieces of one—

**Mr. John Knubley:** There was a strategy of staged implementation and—

**Mr. David Christopherson:** But it wasn't a national strategy.

**Mr. John Knubley:** —now we've moved to a national strategy.

**Mr. David Christopherson:** Now you've moved to a national strategy. My question is, why wasn't there one in the beginning? If it were a health care issue.... It's not as though we don't know these challenges—transportation, health care, community services. It's always difficult in a large country like this, and it's expensive. That's why we have plans and phase-in and that's why there are constant protests coming from the north and far-flung regions about why they're not getting service equal to what we can get in my hometown of Hamilton.

But what I don't understand is why there wasn't a national strategy. It sounds as though there wasn't one because the money wasn't there to do one, which is just not acceptable. If this were a health challenge, we would have recognized that health challenge and we would have put a national strategy in place.

The absence of a national strategy—it looks to me like the politics of this, which is one step beyond you, are that we don't have the money and we don't want to pony up the money, so let's not have a strategy because that will give opponents something to point to in terms of what's not being done. Now it just looks as though they've run out of runway and they have no choice but to do it, and they're dragging their heels at that.

Chair, I know my time has probably run out, but I'll just finish my thought. This may be one of the very few times in the 15 years I've been on this committee that we do need to call a minister in, because it may just be that the answer to the problem has been that the bureaucracy has been told that there is not enough money to do a strategy, so don't even think of starting one. If that's the case, then there has to be a political answer to this, not a bureaucratic one.

• (0935)

**The Chair:** Thank you, Mr. Christopherson.

We'll now move back to Monsieur Arseneault.

[*Translation*]

Mr. Arseneault, you have the floor for seven minutes.

**Mr. René Arseneault (Madawaska—Restigouche, Lib.):** Thank you very much, Mr. Chair.

My thanks to the witnesses for being here.

I am new to this committee and this is only my second meeting. Therefore, I don't know the full history of the witnesses who appeared or about your previous testimony. I apologize in advance if my questions may seem inappropriate to you.

I come from an extremely rural region: not the far north of Quebec, not an island lost in the Atlantic or Pacific or Sable Island, but Madawaska-Restigouche in northern New Brunswick, a place that is well within Canada.

Across my riding, the lack of broadband service is an irritant that prevents us from developing our full economic potential. I am talking about my region, but the situation is the same in many places in Atlantic Canada or elsewhere in the country, of course. The first casualty therefore is economic development, which leads to the exodus of people from our region who are educated and who could contribute to it, but who look for work elsewhere. Without economic development, there is no growth, and rural areas are being emptied to the benefit of large urban areas. I know you are already familiar with the picture I'm painting for you.

However, in addition to the economic development, there is the whole issue of safety. In my region, the vast majority of economic activity is based on forestry. There are a lot of forestry operations, where workers can get hurt. However, those areas have no access to any cellular signals. Access to ambulance services, hospitals, police and firefighters is a matter of safety.

So we are really lagging behind the Canadian average in terms of safety and economic development.

Mr. Scott, I think you said that basic telecommunications services are now essential, as was the railway to travel across Canada in another era. The construction of the railway was a national project led by the government, not the private sector. Setting up telephone service in New Brunswick was not a private sector project either, which makes me think that perhaps we should study that aspect of the issue. However, that is not what we are talking about today.

I have a question for my friends in the department, either Mr. Knuble or one of his colleagues. To pick up on what Mr. Christopherson was saying, has a study been conducted to establish the strategy and funding necessary to resolve this issue once and for all across Canada?

[English]

**The Chair:** Mr. Knuble.

[Translation]

**Mr. John Knuble:** I think the first thing to emphasize is that the federal, provincial and territorial ministers met in October and decided to put a strategy in place. They talked about and agreed on the 50/10 target, a speed of 50 megabits per second for downloads and 10 megabits per second for uploads, which are decent speeds. They then asked officials to take an integrated approach to identify the future needs of the provinces, the federal government and the private sector, so that they can all work together to achieve this target.

I am convinced that, thanks to the CRTC, we are now in a better position to achieve this objective because we have a very specific target and tools for sharing and collaboration. The ministers established three fundamental principles for developing a strategy: access, innovation and collaboration.

Ms. Setlakwe leads a team working on this and perhaps she could add some comments.

● (0940)

**Ms. Lisa Setlakwe (Senior Assistant Deputy Minister, Strategy and Innovation Policy Sector, Department of Industry):** We are in the process of determining the gaps, province by province and

territory by territory, and how much it will cost to connect those places. The areas that are easy to reach have been connected. In rural and more remote areas, the technology to get there is complicated and expensive.

We are in the process of completing this work. We estimate that this will cost about \$8 billion, of which \$7 billion will be used to connect the main communities in these areas.

You talked about the importance of having access to communications on major roads in forestry sectors such as those in your riding.

**Mr. René Arseneault:** They are forestry roads.

**Ms. Lisa Setlakwe:** I'm not sure we're going to make it to all the forestry roads, but we'll make it to the main roads. We estimate that it will cost about \$1 billion.

**Mr. René Arseneault:** You're saying it will cost \$1 billion in addition to the \$8 billion?

**Ms. Lisa Setlakwe:** It's \$8 billion in total: \$7 billion for communities and \$1 billion for main roads.

We haven't finished the job. We are working with the CRTC, the provinces and territories. We still have work to do.

[English]

**The Chair:** We'll now move back to Mr. Kelly, please.

Mr. Kelly, we're in the second round now. You have around five minutes.

**Mr. Pat Kelly (Calgary Rocky Ridge, CPC):** Thank you, Chair.

Again at this committee we have a report from the Auditor General and departments that have said they accept the findings of the Auditor General, yet in the testimony I've heard, in particular in the answers to Mr. Christopherson's question, I sense push-back and defensiveness around the conclusion of the Auditor General.

Mr. Knuble, the Auditor General said that your department did not have a national strategy. Mr. Christopherson asked you why, and if I heard you correctly, I heard not only in response to his questions and to some of the other questions you repeatedly going back to the Johnston report of 18 years ago. It identified a strategy for which the objectives seem largely still unfulfilled 18 years later.

I'm going to repeat the question. Why was there no national strategy in particular after the CRTC declared broadband to be a public necessity? It's easy to declare something a necessity. Those are just words. Once you do that, though, there has to be a strategy and a plan to achieve objectives.

Please, do you accept the Auditor General's assessment that there was no national strategy, and if so, why?

● (0945)

**Mr. John Knuble:** The nuance I'm trying to bring to this is what the Auditor General raised, which we agree with, is that there was no national integrated strategy with a common, agreed-upon goal. We have now reached 50/10, and we have not had a situation before where all the players, whether the provinces or the federal government or even the private sector, have agreed on that goal and moved ahead.

**Mr. Pat Kelly:** So what has happened?

**Mr. John Knuble:** I agree there was no national integrated strategy in that sense, and the Auditor General was totally appropriate to point that out. Very shortly after the CRTC identified broadband as a basic service, the government moved ahead very quickly to work on an integrated strategy with provinces, to agree that 50/10 was a goal, to bring together working groups that include the CRTC and the provinces.

**Mr. Pat Kelly:** Sir, you did not answer my question. You did not answer Mr. Christopherson's question.

Why was there no strategy? If this has been identified and understood for years, the objectives—

**Mr. John Knuble:** Because no one could agree on a common technological goal: provinces might have 30 as a goal, for five to one. Technology is always an issue. Various players don't always agree on the extent to which the private sector will go in and solve a situation or where they will invest. As the Auditor General pointed out, in terms of value for money, a big issue is, how do you balance public investment with private sector investment? Even in the case of our 50/10 goal, we have already identified that we're going to move from 84 to 90, really, with private sector investment. Private sector companies invest \$12 billion a year to do this.

**Mr. Pat Kelly:** Okay, thank you.

**Mr. John Knuble:** Again, I guess I am saying that it's not straightforward, but complex. The nuance that I'm trying to bring to this is that all governments in the last 15 years, of whatever stripe, have taken the approach of identifying specific gaps. It's a staged approach. What are the specific problems that we're trying to address? Are we trying to do the last mile, where we hardwire two households? Are we trying to do more backbone-type activity, where we take the broadband to a community, to a school? What's the best solution to help the community and to provide the best service to these very remote areas that Canada encounters across the country?

**Mr. Pat Kelly:** The reason is just that there wasn't coordination and there couldn't be coordination with provinces. That's why there was no national—

**Mr. John Knuble:** There are issues of coordination, technology, and there are issues of money. As you have just heard, the cost of meeting the 50/10 goal, at least as we currently estimate it, is \$8 to \$9 billion.

**Mr. Pat Kelly:** Okay, but that—

**The Chair:** Would you very quickly summarize your point, and we'll come back to you.

**Mr. Pat Kelly:** That's, then, a political question. You can have a strategy, a public strategy, but if a government won't fund your strategy, then that's a political question and one for the voters.

**The Chair:** Thank you, Mr. Kelly.

We'll now move to Mr. Sarai.

**Mr. Randeep Sarai (Surrey Centre, Lib.):** I'll be sharing my time with Mr. Arseneault.

I have a couple of quick questions, but, first of all, despite what my colleagues on the other side are saying, it seems like this strategy

is working and there are 900 communities connected or being connected.

My first question is for the deputy minister.

How are we ensuring that the connectivity infrastructure is designed to grow and expand, i.e., to meet newer and higher speed demands? Are the conduits being made? Is the infrastructure being built so that we can expand to faster speeds, or will it have to be rebuilt every time? Is that being looked at when this infrastructure is being built?

**Mr. John Knuble:** Yes, it's being constantly reviewed and assessed. There are several ways we do that. One way would be this mapping activity that's been referenced, which is in fact shared publicly. We basically look at areas of 25 square miles. We look at the number of people, the households, the community needs, and then we put on top of that the actual ISP map, if you like, of current service, and then we try to assess what the gaps are and what the specific needs are in those particular areas. Lisa can elaborate on this, but basically we work with the CRTC, we work with the provinces and with the private sector continually to reassess what we're doing. Specifically right now, because of the 50/10 goal, we're trying to identify where those gaps are across the country and what the priorities are in that regard.

Just very quickly, there's also spectrum, of course, that we auction, and the private sector participates in those auctions. As I mentioned, we typically look at, will there be dominance? Do we need to set aside certain amounts of spectrum for the rural area to promote the participation of smaller ISPs?

• (0950)

**Mr. Randeep Sarai:** By that same token, how are you making sure there are clusters, certain service providers? If there are only small communities, with very small populations, you don't want to have Telus in one place and Rogers in another. How are we making sure there is enough critical mass for a cluster to keep expanding, making sure that the speed and the type of service is adequate for the technological needs?

**Ms. Lisa Setlakwe:** To go back to your first question, one of the things that is assessed under the connect to innovate program, for example, is the technology that's being used and the potential for scalability in the future. Those are things that are definitely considered.

In addition, when we are providing federal funding, there is a requirement for those receiving that federal funding to share their infrastructure under certain terms and conditions. That is a requirement as well. We try to use all the levers that we have to promote competition.

**Mr. Randeep Sarai:** As my riding is only 40 square kilometres, I will give it to Mr. Arseneault.

**Mr. René Arseneault:** Mine is 12,000.

[Translation]

Thank you for your answers. They are very informative, as I am no technician.

There must be territorial, provincial and federal agreements or collaboration. I think Canadians can do that. As for technological complications, the technicians are there to help and support us.

It's all about money. Two years ago, I went around the main suppliers. We know them well. I will not name them, but they are always the same. It was clear that they were reluctant to connect the remote areas.

Let me oversimplify a little. Basically, they told us that they would connect these regions if they were paid for it, but that they were not interested in investing in this connectivity because it was not financially profitable. We live in a capitalist world.

I now turn to Mr. Scott from the CRTC.

The major Internet service providers have an oligopoly; they agree among themselves. We all know how it goes, we are not naive. The licence that the CRTC grants to those providers is a privilege. Within the limits of its jurisdiction, would the CRTC have a way of making them aware that the licence it gives them to expand their services includes an obligation to serve all Canadians, from coast to coast or from forest to forest? If so, could you tell me how this could be done legally?

**Mr. Ian Scott:** It is a very complex issue.

[English]

**The Chair:** Thank you, Mr. Arseneault, again, for sharing your time.

**Mr. René Arseneault:** You're rude to me.

**Some hon. members:** Oh, oh!

**The Chair:** We'll come back to Mr. Albas, please.

**Mr. Dan Albas:** Thank you, Mr. Chair.

In this report, the Auditor General recommended that the government create detailed connectivity maps and have those available. In speaking to stakeholders, I've learned that there also seems to be a complete deficit of information on what infrastructure is truly in the ground.

I'm going to ask a question of both industry and the CRTC. Do either of your organizations have a full and complete map of the telecommunications infrastructure that is installed throughout our country?

• (0955)

**Mr. John Knuble:** We have what's called the national broadband Internet service availability map. You can go and access it. All Canadians can get into the map itself. It's really a searchable map. As I mentioned, it's a summary of the current services by area. An area is typically defined as a 25 square kilometre area. It shows population and communities, and then it shows ISP footprints.

The challenge with the sharing of information is that some of that actual ISP footprint aspect is commercially sensitive. In that

particular area, we have to aggregate some of the data. Also on our maps—we've mentioned the connect to innovate program—is the 2014 program, connecting Canadians. People can go on our map and see where the projects are.

Last, if 50/10 is our goal, the thing we've done with our map more recently—and we've been working with CRTC on this—is to try to show where the gaps are in terms of 50/10 service.

**Mr. Dan Albas:** Do you have an inventory somewhere of all the telecommunications infrastructure and where it is? I do realize that there are some sensitivities about releasing that information to the public, but I'd like to know whether or not the government actually has an understanding of its own inventory. Are you relying on the information that telecommunications companies give you?

**Mr. John Knuble:** It's constantly being discussed with the private sector, and then we verify what that service provision is by talking to the communities and the people. We're constantly doing consultations, really, to verify what it is that we know in relation to spectrum, for example.

**Mr. Dan Albas:** There is no formal list you have where you've required that. It's just simply “we'd like to know what you have” and then you display some of that information so that Canadians can have that.

**The Chair:** Mr. Scott, please.

**Mr. Ian Scott:** Thank you, Mr. Chairman. If I may add to that just briefly, for the carriers for which the CRTC has regulatory authority, we do obtain detailed information. It's not voluntary. They regularly file information with us. It's that information, along with that collected by the ISED department, that is used to populate the data in the broadband maps.

**Mr. Dan Albas:** Thank you.

ISED has started to consult on smaller geographic areas for spectrum allocation.

To the Auditor General's office, is that move consistent with the recommendations in your report?

To the industry department, is the thinking that smaller geographic areas will be used for all spectrum auctions going forward?

**Mr. Philippe Le Goff:** Mr. Chair, I think it's a move in the right direction, according to what we heard from ISPs, the small Internet service providers. They raised this issue that they don't have the financial and technical capacity to provide the service or to bid on auctions for large tiers such as tiers two, three and even four. I think it's a step in the right direction to look at the tier 5 kind of size to allow small providers to participate.

**Mr. John Knuble:** To clarify, we are consulting on the tier 5, and no decision has yet been made on how we would move to that tier five.

Let me again just give a bit of background. Tier 1 basically is Canada. Tier 2 is basically by province. Tier 3 has 59 regional areas within the higher population cities, if you like, and we use that for mid-range frequency bands. Tier 4 is 172 local areas. We certainly think that we would benefit by going deeper and more granular in terms of our service areas and in that respect agree with what the Auditor General raised, but we haven't made the formal decision on how we will move forward—

**Mr. Dan Albas:** What would be the timeline for revealing the outcomes of those consultations?

**Mr. John Knubley:** In terms of the consultations, they're ongoing —

**Ms. Lisa Setlakwe:** Right now.

**Mr. John Knubley** —right now, so I think we will be reporting on the consultations.... Lisa?

**Ms. Lisa Setlakwe:** Later this year or early next year.

**The Chair:** Thank you, Mr. Albas. We'll now move to Ms. Yip, please.

Ms. Yip, you have five minutes.

**Ms. Jean Yip (Scarborough—Agincourt, Lib.):** [*Technical difficulty—Editor*] so how can the groundwork for 5G be started if the most remote communities haven't been serviced? Wouldn't it be better to spend the money to service these communities before paying for the 5G groundwork?

•(1000)

**The Chair:** Go ahead, Mr. Scott.

**Mr. Ian Scott:** Perhaps I can begin. My colleagues may want to add to this.

I think technology in this area is evolving quite quickly. One of the things we're seeing is that fibre is being pushed farther and farther out into the network, not only to provide broadband service but also to support mobile wireless service and, in future, 5G. I think that a few years from now there may not be much of a distinguishing between the two, so all of this infrastructure for higher capacity, higher bandwidth and higher speed is being pushed out to both small and large communities, and that will enable both high-speed broadband and 5G. I'm not sure if that helps as a starting point in response to your question.

**Ms. Jean Yip:** I just feel bad, still, for those remote communities that don't have it or don't have—

**Mr. John Knubley:** Maybe I would add, though, that one thing we do, which we looked at really in our last two programs, connect to innovate and connecting Canadians, is that we don't always look for the technology that solves the immediate problem. We are looking for projects that have the capacity to grow, if you like, from 4G to 5G and LTE and that sort of thing. Typically, in the projects for the most remote areas—this is why technology is such an important consideration—we look at how well the technology can evolve and allow for the community to have a service not just today but also in the future.

Although it's not directly related to your question, maybe I could add something on satellite service, which we haven't mentioned yet. Of course, there's evolving technology in the satellite service. We

recently funded—it was in the last budget—a LEO satellite initiative by Telesat. This does offer a huge opportunity in the north to provide new access to broadband at higher speeds than ever before.

Again, a big consideration, which you're totally right to raise, is about what technology is the right technology for these remote areas. I think we try to be as flexible as possible and try to see as well if the technology we're putting in today can expand in coverage and service and access in the future.

**Ms. Jean Yip:** Okay.

How did ISED support small businesses and diverse ISPs in remote and rural regions in accessing CTI funding?

**Mr. John Knubley:** I think about a third of the actual companies in the projects are small ISPs. We certainly are always talking to small ISPs and looking for opportunities for them to participate in projects. That's the short answer.

**Ms. Jean Yip:** Just to follow up, has the connectivity map been made publicly available?

**Mr. John Knubley:** It's on the Canada portal.

**Ms. Jean Yip:** As well, has the connect to innovate program website been opened up to allow third party ISPs and stakeholders interested in the backbone services to apply for those projects? Has that been opened up?

**Mr. John Knubley:** We don't use the portal for an application. There are issues, in terms of the ISP footprint, around commercial sensitivity. Basically, again, we are trying to promote small ISP participation. Recently, separate from the program, we've been consulting with the small ISPs to understand what the challenges are in their programming and how we can do a better job in incorporating their interests. In our projects, for example, we definitely want to ensure indigenous involvement, ISP involvement, in the actual delivery of the program. I think we were quite successful in getting indigenous companies in the CTI case.

Is the number 190?

•(1005)

**Ms. Lisa Setlakwe:** Yes, 190 communities; and a third of the funding is directed to indigenous communities.

**Ms. Jean Yip:** Thank you.

**The Chair:** Thank you, Ms. Yip.

We'll move to Mr. Christopherson, please.

**Mr. David Christopherson:** I've been following the bouncing ball, as well as looking at the paper trail we have, and I'm still not satisfied that we've got to the nub of this lack of a national broadband strategy, which was recommended time after time after time for 12 years.

When the Auditor General went in and asked why there wasn't one, according to what we've heard today, the department was—and I'm quoting—"reluctant to establish a strategy with an objective that could not be reached with the available funding."

I didn't hear anything about nuance, about all the problems of trying to bring all the people together. In fact, when it's difficult and tough like this, with multiple dimensions to the complexity of it, there is all the more need for a strategy, even if the first thing you say is that we have to get all the provinces, territories, and federal government on the same page in terms of what we agree on: "This is what we need to do. Here's who's responsible. Here's the process. Here's the time frame."

Instead, what we're hearing, in my opinion, is from governments who have refused...because they didn't want to face the bill. I get the politics of it, but that doesn't make it right in terms of governance. That strategy needed to be in place, and the response at the time that the Auditor General went in was that they hadn't yet done it. Now they're bragging about the fact that they're doing it.

Let's take a look at the time frame. The audit was done about 18 months ago, which is usually when they begin. The deputy mentioned that there was a meeting in June of last year and on October 26, and between those two meetings that's when it was decided that there needed to be a strategy—just in time to get in front of the public hearing on the auditor's report.

If nothing else, I want to claim victory for the auditing system we have in Canada. After 12 years of governments—plural—dragging their heels on doing the right thing in terms of public policy, it took the Auditor General to roll in there and hold them to account. They then come to this committee where, under the glare of public scrutiny, they now acknowledge that they're going to give us a national strategy. I would submit to you, Chair, that if we'd not had an audit, there still would be no plans for a national strategy.

I have to say that I am rejecting the answers I'm hearing from the deputy.

I understand why you're saying it, and I understand it's part of your role, but you also have a responsibility as an accounting officer now. Unlike when I first got here and the rules weren't clear, now they are clear.

The public interest would only have been served if there was a national strategy, and there wasn't one, because no government wanted to be held to account for not spending the money it would take to implement it. That's what it looks like to me.

The important thing right now for me is that the strategy is on track—at least it's there.

I also want to mention, if I can parenthetically, that again, this is one of the issues that most of us don't get too cranked up about, because we have the best service. Most Canadians live in urban centres and everything is fine.

However, when I listen to my colleague, Carol Hughes, talk about what's going on in her riding, and especially when she ties it to the banks that are closing branches in her rural areas, the need for Internet is not only beyond necessity, but is right up there with housing and health and food.

My question, Mr. Berthelette, is on whether you have had a chance to see the strategy at all.

•(1010)

**Mr. Jerome Berthelette:** No, Mr. Chair.

**Mr. David Christopherson:** Do you have any current plans to go in and examine the strategy?

I only say that in the context that often the AG will signal ahead of time, "Look, for particular reasons we're going back in in short order on this one."

Sometimes they don't.... Are there any current plans to do that?

**Mr. Jerome Berthelette:** At this point, we have no current plans to follow up.

**Mr. David Christopherson:** Okay, that's good to know. We can do some follow-up through our report and make sure there are timelines and accountability.

I want to ask one more question if I have time. It sounds like I'm going to get one in.

It's probably affirming the same thing, Mr. Berthelette, but you said something that struck me. You were responding to a question by a colleague, and you were talking about the value for money. At one point you said there were other matters, not just value for dollars, that gave you some concern.

I wonder what exactly you meant by that. It was in response to a member suggesting that things weren't all that bad when you look at what was achieved. You talked about what you went in and examined, and you said that there were other matters, not just value for dollar, that you believed came into play.

I'll give you a chance to comment on that.

**The Chair:** Mr. Le Goff.

**Mr. Philippe Le Goff:** Mr. Chair, one of the concerns we had at the time of the audit was that the priorities made under the connect to innovate program were not made public. The areas that would be considered first were not made public, so we had cases where local groups made some proposals, business cases, but they didn't know that in their province it was almost always determined that another area would get the funding first.

**Mr. David Christopherson:** How was that decision being made?

**Mr. Philippe Le Goff:** You might ask the department to answer that.

**Mr. David Christopherson:** Deputy?

**Mr. John Knubley:** In all respects, what I understand is that we follow a very strong due diligence process. I think the issues at play here are—and they relate to the overall strategy as well—is what are the technologies at play and what are the specific community needs? Again, this links back to technology in part. One of the things is that there's no one solution to putting broadband into any one place: You can do hardwire, you can do mobile, you can do text mobile, you can do satellite. One of the things you need to do from a technological perspective is to try take into account what the appropriate requirements are for any one particular area.

In this case, I do want to stress why the issue of value-for-money gets complex. Given where you come from, you'll understand that these are communities of the remotest type. We're talking about northern Quebec. We're talking about northern Ontario.

**Mr. David Christopherson:** Deputy, I'm sorry to interrupt you, sir, but I have very limited time. In fact, I'm probably on borrowed time. I have to say, the theory is that there were decisions made about where money was allocated and because the information wasn't public, we don't really know. The Auditor General is saying that it wasn't necessarily value for money. That's a nice way of saying that it seems like somebody's invisible hand is in there moving stuff around and it's hard to hold people to account because there's no public information.

Thank you, Chair.

**The Chair:** Thank you, Mr. Christopherson.

We'll now move to Mr. Graham.

**Mr. David de Burgh Graham:** I'm going to stay on the topic of value for money for a second.

Telecommunications companies invest on the basis of a three-year return on investment. That's the speed they do it. Is that the speed of return you expect of government investment? That's for the Auditor General.

**The Chair:** Either Mr. Berthelette or Mr. Le Goff could respond.

**Mr. Philippe Le Goff:** It was not something that we considered in the audit, Mr. Chair.

**Mr. David de Burgh Graham:** Okay. Do you consider telecommunications to be strictly a business, or is it or should it be a public infrastructure?

**Mr. Jerome Berthelette:** Mr. Chair, I think the department has already more or less stated it has both business aspects and public necessity to it.

**The Chair:** I think I'm going to interrupt a little bit here. I think we need to recognize that we are sometimes getting into policy here, and we need to remember that the Auditor General's responsibility is not to determine the validity of the policy. It's to determine whether or not there is a way to deliver the listed policy in an effective manner. I think all of us on the committee have to remember that the parameters of the audit as listed were to look and see if there was, I suppose, some value for money, but if it's found in the conclusion that Canada did not develop and implement a national strategy to improve.... That's the focus of the audit.

Sometimes we get into the weeds on everything else and maybe that's a good time to ask the department, but the auditors are not going to give us a broad synopsis of connectivity in Canada. They're going to look at these very tight parameters, and I think that's what we have to drill down on if we're coming to the Auditor General. We can branch off to the different sectors on their way, but we shouldn't really even be going to the policy at all because the government sets the policy, departments deliver, and auditors check to see if departments have delivered.

If I'm a Conservative and I don't like a Liberal policy, that's neither here nor there at this committee. The government sets a policy, the

departments deliver on it, and the auditors ask, did they do it in the best way possible?

If we're going to ask about the process, you can ask the auditors about their audit, but everything else should go to the departments.

Mr. Graham.

•(1015)

**Mr. David de Burgh Graham:** With respect, Mr. Chair, what I'm looking to find out is to understand what the value is in this circumstance.

**The Chair:** Okay.

**Mr. John Knubley:** Mr. Chair, maybe I could just add the department's perspective on value for money. I think what we thought mattered in the connect to innovate program was that we leveraged funds. As we mentioned early on, and as the Auditor General people referenced, was the one-to-one. We went from a \$500 million investment to \$1 billion. In assessing the projects, we also avoided overlap of activity, if you like, so that we ensured that if any one company was doing something, it wasn't covering into another area. Again, we were trying to fix a specific problem.

The issue of scale and technology is part of value for money, and our perspective is that this is a very important consideration. It's not just how you want to fix it today, but whether the companies involved in the projects actually develop investments that will develop the technology over time. It also has to do with the number of communities served as part of the value for money.

From our perspective, at any rate, it's not just dollars and competition of the private sector involved in the projects. It's also these other matters.

**Mr. David de Burgh Graham:** I have one question left for the AG before I go on to the CRTC.

Does the Auditor General's office currently participate, or has it ever participated, in the interchange Canada program?

**Mr. Jerome Berthelette:** Yes, we have.

**Mr. David de Burgh Graham:** Do you do this actively?

**Mr. Jerome Berthelette:** I don't think we actively do it, but we have participated in it.

**Mr. David de Burgh Graham:** All right, thank you.

I'm going to go back to the CRTC and pick up where I left off earlier.

On the mandate question, if the CRTC mandate were expanded to permit the direct breaking of telecom monopolies and positional abuse, or the power to mandate that a company that services a community must service the entire community, would the CRTC be comfortable applying that?



**Mr. Ian Scott:** It's very much a hypothetical question, and perhaps in my response I can also try to answer a question Mr. Arseneault asked earlier.

The commission's overall role is to supervise the industry. It goes to the discussion we just had about the CRTC changing the basic service objective, that the original objective in telecommunications was universal service—getting every household phone service.

The carriers actually have an obligation to serve. That has not been removed. We do have competition in most places, and we rely, to the extent we can, on competition. Where there's a lack of competition, we still engage in more traditional detailed regulatory tools to oversee the services provided. The broadband fund is the vehicle that we hope to use, and will use, as an incentive and a tool to fulfill the broadband service objective in those harder-to-serve regions.

• (1020)

**Mr. David de Burgh Graham:** When will the broadband fund applications be opened?

**Mr. Ian Scott:** The last step in the process, the maps, have been updated recently, which is an important step for applicants. We issued what was called a “decision guide” on Valentine's Day as a present to communities rather than industry.

The application guide, if you will, is a bit of an instruction kit to enable parties to understand exactly what has to be filed and how it has to be filed. We're accepting comments on that to make sure we haven't missed anything, and that the guide is well understood. The comment period's open now. As soon as that closes, then we will be making a determination about our first calls. They will be in the coming months.

**Mr. David de Burgh Graham:** Where are we inputting the resale of fibre service?

**Mr. Ian Scott:** Pardon me?

**Mr. David de Burgh Graham:** Right now you can resell DSL, you can resell cable, you cannot sell fibre. Where are you on forcing companies that have fibre infrastructure to resell that service, to offer it to resellers?

**Mr. Ian Scott:** At the moment, if you're talking about fibre to the home, then Mr. Seidl can add that it's in Quebec and Ontario.

Chris?

**Mr. Christopher Seidl (Executive Director, Telecommunications, Canadian Radio-television and Telecommunications Commission):** We do have interim tariffs in place for the resale of the fibre, so it's available. We don't have the final rates in place, but we're working on those now, and those will be coming out in a few months. It is in Ontario and Quebec right now, and we're working to extend that across the country.

**The Chair:** Thank you very much, Mr. Seidl and Mr. Graham.

Mr. Kelly.

**Mr. Pat Kelly:** Mr. Knubley, in response to Mr. de Burgh Graham's question, you spoke about having achieved acceptable value for money in several different ways. The findings of the Auditor General quite clearly say that they found that Innovation, Science and Economic Development Canada did not implement its

connect to innovate program for broadband 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 investments.

Again, I ask you to square your acceptance of the Auditor General's findings and your earlier remarks.

**Mr. John Knubley:** There are always issues of value for money, and we agree with the Auditor General that in doing our work, we should pay attention as a priority to value for money. We are pointing out that in this case, this particular program was being delivered to the remotest areas where there was not a lot of private sector investment interest, and therefore it is important to understand that value for money is not just about competitive private sector investment.

It's also about leveraging funds with the provinces. It's about leveraging funds with the communities, and ensuring that you get the right technology to help the community in a way that will be long-lasting.

**Mr. Pat Kelly:** That is understood. There is no private sector investment to displace, because you were in an area remote enough that a private sector operator could never profitably invest in a place. I wouldn't consider that displacing private investment, just because you've spent money there and not had it matched.

**Mr. John Knubley:** I'll give you a few cases where the projects took place. One would be in northern Quebec, where we were very partnered with Quebec. In fact, the partnership there is probably a model for how we move forward with an integrated collaborative strategy. We had common applications and common investments. We provided, depending on the area, between 90% and 100% of the funding because there was no investment.

In northern Ontario, five communities are currently served by satellite. Again, no, there's private sector involvement in terms of the satellite, but in terms of moving to a more fibre-to-home operation—

**Mr. Pat Kelly:** Fair enough. I understand that, but the Auditor General states in the report that they are concerned that the program was to avoid displacing private sector investment, and they're concerned that is a failure of the department, that the department—

• (1025)

**Mr. John Knubley:** I would maybe rephrase it, not as a failure but as an agreement with the Auditor General, and note that every time we do a project on broadband in rural and remote areas, the challenges, the balance, the public investment and the private sector investment...we try to do the project in a way that does not crowd out private sector investment that otherwise would have taken place.

**Mr. Pat Kelly:** We all agree that's the objective. I understand that.

**Mr. John Knubley:** That is why doing broadband is not easy.

**Mr. Pat Kelly:** No, I understand that—

**Mr. John Knubley:** The other thing I would just emphasize—maybe you should turn to the Auditor General office after I say this—is that they were looking at the design phase of our project. Again, I think we've moved past the design phase, and we're talking now about—

**Mr. Pat Kelly:** Fair enough.

**Mr. John Knubley:** —what actually was implemented.

**Mr. Pat Kelly:** I'll let Ms. Setlakwe speak for the moment I've likely got left.

**Ms. Lisa Setlakwe:** If I could just add, I think that what the Auditor General said in particular was that we didn't specifically ask companies or applicants why public funding was required. In our estimation, we assessed that. We didn't specifically ask them to pronounce on that, but we assessed those things when we were looking at the applications. That was one.

**Mr. Pat Kelly:** Thank you.

Mr. Le Goff.

**Mr. Philippe Le Goff:** Sure. I would add to what has just been said that there was no mechanism in the design of the program to verify whether the project would have been funded by the private sector at a lower cost.

**Mr. Pat Kelly:** Thank you.

**The Chair:** I don't have any other questions, but I typically explain to our guests that, when we meet like this, we provide a report following it and I do as a result have a couple of questions that have been given to me by the analysts.

Before we get to those questions, I would that although this is a highly technical type of meeting that is televised, many Canadians may be watching it because they watch these types of programs—though their eyes may just glaze over. As Mr. Christopherson suggested, a majority of Canadians live in urban areas and say, “Connectivity problems, what problems? I can game, I can watch a movie, and I can do so many different things.”

However, the Auditor General's report explains the reason for this study, namely, that in 2016 about 96% of urban Canadians had access to broadband Internet speeds of 50 megabytes per second for downloading data and 10 megabytes per second for uploading data, but only 39% of Canadians living in rural and remote areas had access to those speeds.

I represent a riding that is not so much remote as very rural. Within my central Alberta riding, there are what we call the “special areas”, where I know that, when I get into those areas for meetings, I will just have to watch the phone trying to connect. This gap between urban and rural areas is part of why the Auditor General's office did this study, and out of the study, although there has been some improvement over the years, there are some troubling facts.

I should also say—and some of our analysts have worked on indigenous files before—that in paragraph 1.8 of its report, the Auditor General's office noted that “The Commission called broadband a 'transformative enabling technology' and concluded that any Canadian without broadband access is profoundly disadvantaged.” You know this, but I want the viewers watching to understand why this is so significant.

Governments have stated that we want to see improved health care for our indigenous people and those in remote and rural areas. We want to see specialized health, where they have access to specialized health. Part of the universal health care act says that universality, accessibility and reasonable access to common delivery are very

important. Those are three of the five principles of the Canada Health Act. Well, specializing in health care in remote areas means that we need broadband, and that it has to be a priority.

I think all of us realize that it's going to be costly. It was costly originally to get a railway out to the far remote parts, but we said we had to do it. Consequently, this is what governments have said.

Health care, education.... If we're going to see indigenous and remote areas of the north, especially the eastern Arctic, improve their lot in life and have more opportunities, it's going to be through education. How do they do it? We do it through broadband, so that's why it's important.

If anyone is going to have a business in those special areas, in rural areas—so many home businesses are now starting up—they completely rely on being able to have the opportunities with this business because of broadband and access. This is part of the reason.

We have 15 minutes left, so pardon the rant.

Then we get into page 13 of the report, and we see, “Lack of transparency in the selection process”. This, to me, is one of the big problems, and we've talked about it today, the lack of transparency in selecting the processes for delivery.

• (1030)

**Mr. David Christopherson:** Hear, hear!

**The Chair:** Here's the problem for most Canadians, if they're watching.

Connect to innovate had \$500 million available for allocation to successful applicants. The program received 892 applications, with funding requests for \$4.4 billion. In some cases, there were multiple projects covering overlapping areas.

Here's the problem: “We found that the Department used a three-step process to evaluate applications. First, it screened the applications and assessed their merit.” That was the initial screening. “Second, officials from the Department and the Minister's office assessed funding options, each including a different mix for eligible projects.” Finally, in the third step, “the Minister provided conditional support approval on selected projects.” All of these areas—not so much area number one, but the other two areas—can be politicized and could be problematic. I'm not stating that it was a roadblock in any way, but certainly it can be viewed as one.

In paragraph 1.57, the Auditor General's office “found that there were a number of considerations to select projects”. The applications came in and “there were a number of considerations to select projects, but the application guide did not specify the relative weight of each criterion used in the project selection process.” The people applying didn't really understand the weight to each part of it. “Projects were less likely to be funded if they did not align with provincial and territorial priorities. However, these priorities were not made public. In our view, the Department should have made the weights and priorities public.”

Does the department agree with that?

**Mr. John Knubley:** First of all, I'd like to just step back. There are three—

**The Chair:** No, just answer that one question, for now.

**Mr. John Knubley:** The answer is that we did not assign weights, because there are different solutions in different areas. We assess the community needs and the technological requirements, and they vary from place to place. We believe that it is not appropriate to set one specific set of weights.

**The Chair:** All right. Thank you.

We go to the conclusion, as Mr. Christopherson and others have done, and we see again that “Canada did not develop and implement a national strategy to improve broadband Internet connectivity to a specific service level in rural and remote areas.”

Again, I represent one of those rural areas and it is problematic.

We have a question from our analyst that we can include in our report. This is regarding its responses to recommendation 1.60, that ISED “should inform stakeholders of the planned availability date, location, capacity, and price of the backbone to which they will have access” in a timely manner. How has the department advised successful project proponents that information on access pricing will be made publicly available in a timely manner as contribution agreements are signed?

Ms. Gravelle.

• (1035)

**Mrs. Michelle Gravelle (Director General, Science and Research Sector, Department of Industry):** To be eligible for the CTI program, applicants did need to commit to provide open-access infrastructure. There are provisions in all of the contribution agreements. As the contribution agreements are being finalized, there is a requirement to open that up.

**The Chair:** Is this any different from what was recommended by the OAG?

**Mrs. Michelle Gravelle:** That was the intent at the outset; it was a requirement of the program. It was just at the point that the audit was done. The program was rolling out, so everything couldn't have been opened up.

**The Chair:** Did the Auditor General's office make a recommendation?

**A voice:** That was the recommendation, yes.

**The Chair:** So it is not different from what the OAG...?

**Mr. John Knubley:** There's a timing issue. We ultimately did what they raised, although when they looked at our design, they had questions about it.

**The Chair:** All right, so they questioned the design of the delivery.

**Mr. John Knubley:** Ultimately when we delivered it, I think we did our best to address that particular issue.

**The Chair:** You're saying that in the action plan, although they questioned the design, in the action plan....

**Mr. John Knubley:** Yes, the design phase, when we were looking at how to do the program. Then when we actually delivered it, this is how we did it.

**The Chair:** All right. Okay.

**Mr. John Knubley:** Is that reasonably clear?

**The Chair:** Yes, well, I think that's an answer.

Regarding your response to recommendation 1.81, that ISED should foster secondary markets for unused spectrum in underserved areas, has the department ever conducted an industry analysis pertaining to the possible effects of mandating secondary market access to unused spectrum? Again, this has been a problem for years and years, where spectrum is purchased and everybody puts it into Calgary right away, but the outlying areas don't get it.

Has the department ever conducted an industry analysis pertaining to the possible effects of mandating secondary market access to unused spectrum?

**Mrs. Michelle Gravelle:** I would start by saying that our rules do allow for some licensing, and it's relatively easy, but that being said, the providers don't license very much. We have been reaching out to better understand this issue, so for smaller service providers, we've been trying to figure out what the challenges are that they're experiencing, and for the bigger providers, we're trying to better understand why they're not licensing.

The consultations are under way, the outreach with the stakeholders. We're looking to identify specific obstacles to secondary market transactions.

**Mr. John Knubley:** Mr. Chair, I mentioned earlier that we had gone out and consulted small ISP providers. The short story is that these are exactly the issues we're consulting them on and trying to figure out the best way of moving forward.

**The Chair:** I know that this consultation has taken place, and on the maps we've just published, I like the way that Mr. Scott said that they'd just published the maps—those maps have been out. I saw those maps in 2013 or 2014, I'm sure. Now we're publishing the maps, showing where there's lack of coverage, and these consultations as to why there's no delivery in those underserved areas outside big urban areas—they've been going on forever.

Is there a cut-off date on the consultation?

**Mr. John Knubley:** No. This is an ongoing consultation.

I would just like to shift to another point. With respect to our auctions—and it is relevant—we have deployment conditions. Again, we've been trying—and the Auditor General raises this question in his report—to increase our deployment conditions so we can get these kinds of outcomes that you're talking about, Mr. Chair. While the department doesn't mandate secondary market access to unused spectrum, it's increasingly trying, as it deploys the spectrum, to put conditions on the players to ensure there is this kind of use.

**The Chair:** The question that the analysts have given me is what has the department learned from its consultations? But you're saying that these consultations are ongoing. Is it the kind of thing there's an assessment for at some point? I ask because the consultations have been going on for four years. If it's the same consultation, I'm not sure, but are they being assessed regularly, or when? There is no cut-off; it's ongoing.

• (1040)

**Ms. Lisa Setlakwe:** What I would say, just on the spectrum auctions, is that the 600 megahertz spectrum auction has deployment conditions. We consult on all of these before we go out. Basically, we understand the issue of the spectrum being acquired and not being implemented or used, so we are requiring deployment conditions. We hear the same things, and we are putting measures in place at the opportunities that we have to get past this.

**Mr. John Knubley:** Again, trying to be concrete, when we did the 600 megahertz spectrum auction, part of the information that we've received from these consultations leads us to decide to do a 40 megahertz set-aside.

So, it is ongoing, but we actually use the information in the application of our policies to licensing and to spectrum.

**The Chair:** All right. Thank you.

Mr. Scott, there was a time when Mr. Christopherson was giving a speech—or, not a speech but—

**Mr. David Christopherson:** It probably was.

**The Chair:** Yes, it was a speech.

I recognized you and then I went on quickly. I don't know if you even remember what point it was at that time, but I feel you had kind of made a motion to me that you wanted to speak and I missed you.

**Mr. Ian Scott:** I don't think so. I think it was when Mr. Arseneault raised the question, and I only began my response. But I think I perhaps gave him an answer in response to another question. If not, I'd be happy to speak to him after the meeting.

**The Chair:** It came up afterwards. All right. Thank you for that, and I apologize if I cut you off.

In the course of your leaving here and making your way back to your offices, you might think you didn't get enough time to answer a question broadly enough. Maybe you will think there's more information we could use in this study and that you wish you had disclosed it to us at the time but didn't have time to do. Please submit anything to us as quickly as you can. If you said something you want to enlarge on, please do that. We'll take it on the record and use it as part of our study.

We thank you very much for working on a very difficult file. As I've stated already, when governments want to see improvements in the welfare of many Canadians, and the answer lies on the table that you sit behind, we all hope great success for you. So all the best in delivery.

Thank you for coming.

With that, the meeting is adjourned.

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