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# Standing Committee on Industry and Technology

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Chair: Mr. Joël Lightbound





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• (1545)

[English]

**The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)):** I call the meeting to order.

Welcome to meeting number seven of the House of Commons Standing Committee on Industry and Technology. Pursuant to Standing Order 108(2) and the motion adopted by the committee on January 26, 2022, the committee is meeting to study the ongoing work of the Canadian Radio-television and Telecommunications Commission.

Today's meeting is taking place in a hybrid format, pursuant to the House order of November 25, 2021. Members are attending in person in the room and remotely, using the Zoom application.

[Translation]

I encourage everyone present in Ottawa to be aware of the health measures in place and to follow them.

With us today is Ian Scott, chairperson and chief executive officer of the Canadian Radio-television and Telecommunications Commission. He is accompanied by Anthony McIntyre, general counsel and deputy executive director, and Philippe Kent, director of Telecommunications Services Policy.

Without further ado, I'll turn things over to Mr. Scott for his opening remarks.

[English]

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

I was going to start by introducing myself and my colleagues, but you just did that, so I will get right to it.

[Translation]

We appreciate the opportunity to provide an update about the CRTC's ongoing work to support competition and investment in the marketplace so that Canadians have access to the broadband and wireless services they need.

[English]

We certainly understand the committee's concerns about the affordability of these vital services for the Canadian population, and we share those concerns. We have been working to implement a policy that is intended to foster competition among Internet service providers in the marketplace.

Much has been said about the decision we issued in May 2021, which set the final wholesale rates for aggregated high-speed broadband access services. Before I speak about the substance of this decision, I want to make clear that this was a costing decision, not a policy decision, and it's important that we get the rates right.

Why did we reverse course? To put it simply, it was because we got the initial decision wrong. We couldn't move ahead with rates that we knew were erroneous. While we always strive to get things right, the CRTC is not infallible. Legislators, parliamentarians, anticipated this and included provisions in the Telecommunications Act that enable decisions to be reviewed by the commission, by cabinet and by the courts as a mechanism to ensure that the public interest is protected.

In accordance with those provisions, companies submitted applications asking us to review our 2019 decision, as is their right. We addressed those requests seriously, fairly and in an impartial manner, as we always do in our role as a quasi-judicial administrative tribunal. We built a public record and gathered evidence from interested parties, and when we analyzed that evidence, we found errors and could no longer justify the associated rates from the earlier decision. Ultimately, we chose to reaffirm and make final the interim rates that were set in 2016, with certain adjustments.

The commission's work to implement its wholesale access policy continues. There are numerous ongoing proceedings looking at the regime that are open and ongoing today, relating to our costing methodologies, barriers to the deployment of broadband and more.

While I fully acknowledge that the new rates are creating challenges for some competitors, I am confident that we have done the responsible thing. I would also stress that the 2019 rates were never in effect in the marketplace. It is true that some competitors lowered their retail rates on the basis of that decision, but that was a business decision and a risk that they assumed, given the appeals that were being filed at the time.

• (1550)

[Translation]

While greater competition among broadband providers will benefit Canadians, there are far too many areas of the country that still do not have access to adequate or affordable broadband.

That is why the CRTC is working to close Canada's digital divide. Through our broadband fund, the CRTC has committed more than \$186 million to date to improve broadband services for about 30,000 households in 160 underserved and unserved communities. This includes a significant number of indigenous communities.

We continue to evaluate proposals, and we will announce new projects as they are approved.

Finally, let me conclude by giving you an update on our mobile wireless decision, which we issued last April.

Among other things, our decision created a mobile virtual network operator regime for Canada. It opens the door for service providers to access the wireless networks of the big three national carriers—Bell, Rogers and Telus—as well as SaskTel in Saskatchewan. We are currently in the process of establishing the associated terms and conditions of this access.

[English]

All of this is good news for Canadians. Consumers will benefit from a market for mobile wireless services that features more providers, more choice, more affordable options and more investment. In addition, we took action to ensure Canadians can sign up for low-cost and occasional-use plans.

I hope my remarks have helped to clarify the work the CRTC is currently doing to support more competition and investment in the marketplace, ensure Canadians have access to high-quality broadband and wireless services, and as we always do, regulate in the public interest.

We would be pleased to answer your questions. Before we do, however, I must qualify my remarks by saying that we are unable to delve into specifics about any files that are currently before the commission.

Thank you very much. We're available for your questions.

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

We're ready to start our first round. As a reminder for MPs and to inform our witnesses, when I present a yellow card it means there is one minute left, and the red card means the time is up.

We'll start right now with Madame Gray, for six minutes.

**Mrs. Tracy Gray (Kelowna—Lake Country, CPC):** Thank you, Mr. Chair, and thank you to all the witnesses for being here.

Mr. Scott, you had referenced the scrapping of the plan to mandate lower wholesale Internet rates. I wonder if you can tell the committee today who made this recommendation back in May 2021. Was it the CRTC's recommendation to the government, or was it the government recommending it to the CRTC?

**Mr. Ian Scott:** We didn't scrap the decision. As I was just explaining in my opening remarks, in the original decision, the rates that were contained in the 2019 decision were subject to appeals and they were put on hold.

If the question is, who made the decision, it was the CRTC. We're an arm's-length administrative agency from government. Based on the public record of the proceeding, the decision was made by the members.

• (1555)

**Mrs. Tracy Gray:** Thank you very much.

Mr. Scott, how many Internet service providers did the CRTC consult with specifically on reversing or putting this on hold, as you were saying, to drop the wholesale Internet rates?

**Mr. Ian Scott:** We don't consult with individual companies. We issue a public notice, a notice about proceedings, and then parties—any party, any Canadian—are free to intervene in the process.

There is both an association that represents many Internet service providers and numerous individual providers that have been involved throughout all of the proceedings relating to the establishment of terms and conditions for wholesale access, as well as the establishment of the rates through separate proceedings.

**Mrs. Tracy Gray:** Thank you. I have limited time so I think you've answered that. Thank you kindly.

Next question, Mr. Scott: Were there any telecommunications companies or individuals that were notified in the sector prior to this decision becoming public that this would be putting on hold...?

**Mr. Ian Scott:** Again, when I say “put on hold”, they were subject to appeals. The court stayed the decision because of appeals made by numerous parties to the Federal Court of Appeal. They issued a stay, which meant the decision did not take effect. Meanwhile, parties also appealed to us and appealed to the federal cabinet, but to the specific question, no one gets advice or advised, or communicated commission decisions, in advance of their publication. We're a quasi-judicial tribunal.

**Mrs. Tracy Gray:** Has the CRTC done any analysis on how the record-breaking inflation we have seen may affect the affordability of Internet for Canadians?

**Mr. Ian Scott:** We track and monitor prices and general economic conditions regularly. We report on that. There is a place on our website where you'll see communications reports, including detailed information about rates and plans and offerings, so in that sense... Then, otherwise, arguments or submissions are made in the context of various proceedings, and that evidence is taken into account as we deliberate on any given matter.

**Mrs. Tracy Gray:** What metrics are you using? We know inflation is a huge issue right now. Are there any specific metrics you're using when you take this into consideration?

**Mr. Ian Scott:** As I said, we have a number of proceedings going on, and evidence will be led in those proceedings. That's the information, and only that information is used to base any decisions.

What I was describing was our regular monitoring of the industry available to Canadians and available to companies and so on, but specific to the decision-making process, parties are free to submit evidence and information, and that is what we rely on.

**Mrs. Tracy Gray:** Great. Thank you, Mr. Scott.

Are you able to table any analysis the CRTC may have on this that you use in your considerations?

**Mr. Ian Scott:** I have no separate information. As I said, there is extensive general information about telecommunications pricing services and so on available on our website. Otherwise, our decisions speak for themselves. They are published and readily available, as are any reports that we commission, but there is no other separate analysis.

**Mrs. Tracy Gray:** Right, but my understanding is that you came to the decision to, using your words, put this “on hold”.

You know that you get submissions and you look through them and look at inflation as one of them. I guess what I'm getting at is, what specific analysis are you using to come to that decision? What specific metrics are you using to come to that decision? What can you table for the committee today to make us better understand how you're coming to that decision?

• (1600)

**Mr. Ian Scott:** That decision.... To be clear now, the rates were not put on hold. They were stayed by the courts. The decision is the establishment of final rates, and everything there that has any bearing on that process is contained in the decision itself.

We'd be happy to provide the full decision to the members. That is the only statement, and that is what we relied on—all the information—and it is properly accounted for and published in the decision. We would be pleased to provide that to the committee if they don't have it.

**The Chair:** Thank you, Mr. Scott and Madam Gray.

I will now turn to Mr. Erskine-Smith for six minutes.

**Mr. Nathaniel Erskine-Smith (Beaches—East York, Lib.):** Thanks very much, Joël, and happy birthday.

Mr. Scott, just so I have the timeline right, in May 2015 there's a notice of consultation for wholesale rates. In March 2016, there's an interim decision that determined that wholesale rates were likely not just or reasonable. A comprehensive review was undertaken for over three years. “Comprehensive review”, by the way, is not my language. That's the language from the August 15, 2019, decision, and that comprehensive review, despite its comprehensiveness, was incredibly incorrect, I guess, because less than two years later you reversed course almost entirely.

How did you get it so wrong? How can we have confidence in your continued work if after three years of a comprehensive review you get it so completely wrong?

**Mr. Ian Scott:** I'm not sure what the question is.

First, perhaps I should take a step back, if I may, and just explain that costing processes—this is the use of long-run incremental costs by regulators to help establish rates, for example, in this case wholesale rates for competitors—are measures that are used around

the world by regulators to try to establish rates of this type. It's a very complex process.

To give you a sense of the size and scope of that material, we were dealing with something like 150 costing models, 20,000 pages of evidence and over 100 rate elements to be calculated. All of those are, if you will, contested. On the one side you have parties submitting rates and defending their representation of the appropriate costing and others contesting it and asking for changes. To make a long story short, staff and the commissioners rendered a decision they believed to be correct, as I said earlier, following an application for review.

We conducted a thorough analysis. We sought additional information from all parties. Based on that record, we identified errors. Having identified them, we're duty bound to correct them.

**Mr. Nathaniel Erskine-Smith:** A comprehensive review determined that great errors were made.

The challenge though, of course, is you have companies that are assuming risks. You're right: they're assuming risks and making business decisions with the confidence that you're getting a comprehensive review right over three years. I think to flippantly say that they assumed risk.... Fundamentally, the decision undercuts competition, and your mandate, I would hope, is to encourage competition.

Let me get to another element of competition around MVNOs. I can't figure this out one, either. In fairness, this is before your time. In March 2017, the CRTC made a decision—incorrectly, in my view—to say “no” to MVNOs. It was referred back by the Governor in Council. On April 15, 2021 there was a very modest step forward.

Other jurisdictions have a business model. I met with a company that operates internationally with this business model. They want to build towers. They want to build the infrastructure and they'll let other companies operate on their infrastructure. There are two business models: One, the company that builds the tower and two, other companies that want to operate on the tower. Everyone can make money and have their own piece of the pie.

We don't want to take that step forward, despite other jurisdictions operating in this fashion. Why not?

**Mr. Ian Scott:** The answer to that question can be found in the commission's decision of April of last year, following a fulsome review of the wireless sector. I would like—

**Mr. Nathaniel Erskine-Smith:** You think you got that fulsome review right?

**Mr. Ian Scott:** I do.

To be entirely accurate, a result of that framework is that we have indeed introduced MVNOs. We introduced MVNOs that are available to any company that has spectrum that can be used for mobile services. We fully expect that process to not only continue competition but also enhance competition by the very players that have entered the market and are having a meaningful impact on rates.

• (1605)

**Mr. Nathaniel Erskine-Smith:** My last question is specific to your position and relates to a meeting you had, which is public now. You had a recent interview with the Toronto Star in relation to the meeting. You indicated that the CEO of Bell is a friend.

I wonder, does it not give you pause to have meetings like that, knowing that the decisions you make are so consequential for companies in this space and for Canadians who care about affordability of an essential service in this space—which depends in some ways on increased competition—and not necessarily to be friendly to Bell and the big three?

**Mr. Ian Scott:** The approach the commission takes—I and fellow commission staff with respect to meetings—is grounded in well-established rules. Our meetings are recorded. Meetings are required by parties—for example, with me—to be reported through the lobbyist registration process as they are, I assume, with all of you.

**Mr. Nathaniel Erskine-Smith:** Can I pause? I have a good question on that front.

**Mr. Ian Scott:** If I—

**Mr. Nathaniel Erskine-Smith:** Professor Dwayne Winseck has said that the CRTC has refused to let policy analysts visit his university class because of perceived conflicts of interest.

How do I square that statement he's made and the feedback he's gotten with your having a beer with the CEO of Bell?

**Mr. Ian Scott:** I have no idea what the context is of the latter point you raised. I have spoken at classes at the University of Ottawa, the University of Victoria and Ryerson during my term. I have never dictated who could and could not attend. That is a matter for the university and the professor, so I have no idea what you are referring to.

As to the meeting, I meet with everyone pursuant to the rules. I meet with the heads of consumer groups, with individual Canadians, with small broadcasters and with members of Parliament. We meet, as we must, as a public body and we follow the rules.

[*Translation*]

**The Chair:** Thank you, Mr. Scott and Mr. Erskine-Smith. That's all the time we had.

I'll now give the floor to Mr. Lemire for six minutes.

**Mr. Sébastien Lemire (Abitibi—Témiscamingue, BQ):** Thank you, Mr. Chair.

First of all, allow me to address you and salute your audacity following your speech this morning, which I listened to with great interest. I commend you for that.

Mr. Scott, thank you for being here today. Obviously, your recent decisions have led us to have a number of questions during the year. The context of an election, which we all could have done without, has brought us here today. That being said, your decision is a very courageous one, and I want to stress that.

I would like to ask you a question. Has the COVID-19 pandemic allowed you to think about a telecommunications strategy in Canada and to realize that, ultimately, solutions must be found to

the problems of Internet accessibility, which affect people in the regions more? These solutions will help more people, wherever they are, and not just people in large urban centres.

**Mr. Ian Scott:** Your question contains several questions. I'll answer you in English, Mr. Lemire.

[*English*]

I'm trying to think. Does the pandemic have a profound impact on our processes or our direction in terms of bridging the digital divide? The answer is absolutely, yes. It has never been more obvious and important in Canada and throughout the world to ensure that all Canadians have access to reliable broadband service.

As I mentioned in my opening remarks, we have a fund, but also all levels of government—municipal, provincial and territorial—have been doubling their efforts and, frankly, doubling the amount of funds available to extend the service.

[*Translation*]

However, this issue is still very complex, but it is very important. Right now in Canada, I think about 70% of the population has access to high-speed Internet at 50 and 10 megabits per second, but there is about 50% of the population in rural areas—

**Mr. Sébastien Lemire:** —rural areas.

**Mr. Ian Scott:** That's it. Thank you.

In indigenous areas, about 30% of the population has access to high-speed Internet.

• (1610)

[*English*]

We, along with other government departments, and at all levels of government, are trying to address it.

[*Translation*]

**Mr. Sébastien Lemire:** I was glad that you talked in your presentation about fostering competition, market access, understanding the notion of affordability, but also accessibility, which is part of the discourse and which I didn't necessarily feel as strongly about when I was elected as an MP two years ago.

Once it is recognized that competition is necessary and that infrastructure deployment must be allowed, will the new MVNO, or mobile virtual network operator, framework, which the CRTC has defined, create incentives for regional providers to expand their respective networks to more locations, particularly in underserved areas? Will this address this need?

[*English*]

**Mr. Ian Scott:** We hope so. Certainly that is the nature of the framework.

The logic of that framework is that, if you will, the new entrants or service providers who have been building out in most parts of Canada are best positioned to compete with the three large national wireless providers. What that framework does is it will allow them to expand more quickly and, frankly, to compete more aggressively with the three national providers.

[*Translation*]

**Mr. Sébastien Lemire:** The crux of the matter, from now on, seems to me to be to establish the terms and conditions that will open negotiations between network owners.

In this sense, when will we see the tabling of these terms, which will make it possible to establish where the various players stand on the chessboard so that they can negotiate more effectively?

I understand that these negotiations are over. Will it take weeks or months?

**Mr. Ian Scott:** I'll ask my colleague Mr. Kent to answer the question because he's working on this file.

However, I'll reiterate what I said at the end of my opening remarks, which is that we can't really talk about the [*Technical difficulty—Editor*] that are before the CRTC.

Mr. Kent, could you elaborate on the process?

**Mr. Philippe Kent (Director, Telecommunications Services Policy, Canadian Radio-television and Telecommunications Commission):** Of course.

We're in the process of reviewing the terms. The companies have made proposals, and we've heard from the parties. We asked questions and received answers at the end of January. We're reviewing this matter.

That said, the decision won't be made for a few weeks, and companies can, if they wish, negotiate off-rate and offer a service now, which doesn't seem to interest them at present. Cabinet will therefore have to look at the terms and conditions.

**The Chair:** Mr. Lemire, you have only 15 seconds left.

**Mr. Sébastien Lemire:** Thank you, Mr. Chair.

The situation is quite different on the ground. If we're talking about months, then let me stress the urgency, because everyone should have access to the Internet. Acting on these terms and conditions will allow people to negotiate with each other and establish connections in the regions. This is very important, and I urge you to act quickly.

**Mr. Ian Scott:** Thank you.

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

Mr. Masse now has the floor for six minutes.

[*English*]

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair.

I don't think it's that complicated. We have an industry here that is entirely regulated. I'm a former city councillor. You don't get access to the infrastructure without conditions and terms. Federally we have a spectrum auction and we own the airwaves—we own the

air rights. We're at a point right now where it's failed in a huge way. Even before the pandemic there were a lot of problems for access.

Mr. Scott, where would you find some type of option for us to enhance programs—which I don't like because I disagree with this government and the previous one with regard to how they actually auction off the spectrum—or how do we actually use the tools that we have right now to connect Canadians in a way that's actually affordable?

It's not fair right now. We have kids trying to do school. Some are doing it remotely. Some are actually in urban centres. Then we have all kinds of businesses and a whole series of different things.

Where can we actually improve in the short term some of the structures that are working really well, versus actually remoulding the CRTC? You may disagree with that and that's fine, but I think it needs to be done.

• (1615)

**Mr. Ian Scott:** I won't comment on the latter point. It's not my place.

Where to begin? The first thing I would say is—and I know you are well aware of this—we don't regulate retail rates. The Telecommunications Act says that we ought not to unless there is no other choice. That kind of detailed rate regulation left most advanced economies in the late 1990s or even the early 1990s and moved more to various forms of incentive regulation and so on.

The driver for lower rates and better service is competition. Again, you know that we don't regulate spectrum. That is a matter for the industry department, so I won't try and answer for them. The CRTC's approach is to focus on competitive models. There is competition and competition has produced some desirable results.

When we talk about wireless, we have excellent coverage in Canada. We have the latest technology. We have not done as well on rates, so the commission's work has been focused on trying to enhance competition. Through various means, a number of entrants have entered the market. In our recent examination of the marketplace and our recent framework [*Technical difficulty—Editor*] accelerate that competition to drive down those rates.

With respect to the specific measures in relation to affordability, we have targeted some measures to low-income Canadians. The government has introduced some programs. As you alluded to generally, they recently enhanced, if you will, a program for Internet access that is \$20 for a 50/10 service for qualifying Canadians. They expanded those criteria beyond the original child benefit, but also to other lower-income Canadians.

If you don't have detailed rate regulation, then we can't direct specific rates for specific target markets. I think, in fairness, the ultimate answer is that we need to continue to enhance competition. That's what's going to drive down rates and meet the needs of consumers.

**Mr. Brian Masse:** One of the other things I want to ask you about to get a perspective about resourcing is this. One of the biggest complaints that I get is the time duration of CRTC decisions. I'm not going to get into the details, but for you and your team, what would we have to do resource-wise to escalate the time decision process? If we mandated a timeline, what complications would that have in terms of windows, so people and businesses know when a decision will be made?

**Mr. Ian Scott:** It's a fair question. I could argue with the premise of this taking a long time, but certain things do take a long time. We've talked quickly about the wholesale access, and that is a very long period of time. It is because of the nature of the costing exercise, the number of parties and the fact that it's a large process being contested. When you have large policy proceedings like the wireless [*Technical difficulty—Editor*], then you need to gather evidence from all parties, have public hearings and then examine the record.

You could add resources, and it would incrementally change and improve the timing, but fundamentally, we do remain a transparent quasi-judicial agency that follows administrative law principles, so that means we can only rely on the information filed with us. We encourage all Canadians to participate, and then we have to examine that large record.

We're not slower than other regulators dealing with similar issues. Some of these issues are complex and take a long time. I do understand it's frustrating, but it also reflects the significant economic and business aspects of the matters that are being decided.

• (1620)

[*Translation*]

**The Chair:** Thank you, Mr. Masse and Mr. Scott.

Mr. Généreux, you have the floor now for five minutes.

**Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC):** Thank you, Mr. Chair.

My question is for Mr. Scott.

Has the current or previous cabinet tried to influence in any way the decision that was made to set wholesale rates for Internet service providers in August 2019?

[*English*]

**Mr. Ian Scott:** Did someone else outside of the commission influence our decisions? No, we only—

[*Translation*]

**Mr. Bernard Généreux:** It could be cabinet or certain companies, for instance.

[*English*]

**Mr. Ian Scott:** We make our decision based solely on the record of the proceedings. We put out a notice, parties file evidence and

we hold hearings in certain cases. That's what we base our decision on—nothing else.

[*Translation*]

**Mr. Bernard Généreux:** My question is whether cabinet tried to influence your decision in any way.

**Mr. Ian Scott:** No.

**Mr. Bernard Généreux:** Okay.

In May 2021, the CRTC decided to overturn the 2019 decision.

What had changed in the competitive landscape for that decision to be overturned? It seems to me that the time frame was rather short.

We talked about the time frame for CRTC decision-making, so in this case it's a relatively short time.

Earlier, you talked about errors, but you didn't list them. It would be interesting to know the errors that led you to overturn the decision.

**Mr. Ian Scott:** In a moment, I'll ask my colleague to talk about these errors in more detail.

In the meantime, I'd like to say that this isn't related to a change in policy. The decision is related more to costs.

[*English*]

It was a decision on rates and only rates.

Philippe, could you just briefly describe the process of review and the areas?

[*Translation*]

That said, the reasons are fully reflected in the decision.

**Mr. Philippe Kent:** Thank you, Mr. Scott.

As Mr. Scott mentioned, a lot of information and submissions are required when applying for a review and amendment.

Staff must conduct a cost model analysis for each company that provides wholesale high-speed access. The analyses are extensive and involve a lot of detail.

We've asked the companies a lot of questions. This data has been reviewed several times. The officials who worked on this file did their best. We did a full analysis and made recommendations to members that contained errors. These were due to the fact that a very large number of factors were taken into account in the cost review.

**Mr. Bernard Généreux:** Okay.

Mr. Scott, the public perception of people in a position like yours, or like mine and my colleagues', is often more important than reality.



Your meeting with the president of Bell in an Ottawa bar may seem harmless. You said that the meetings follow CRTC rules and are recorded when you meet with the parties concerned. Presumably your meeting in that bar wasn't recorded.

What impression did that meeting leave on the independence of the CRTC? The meeting was made public, and we can talk about it publicly.

[English]

**Mr. Ian Scott:** My answer—and I will do this in English—is that I have meetings.

[Translation]

**Mr. Bernard Généreux:** No problem.

[English]

**Mr. Ian Scott:** Whether it is with Bell, Shaw, Rogers, or PIAC and consumer organizations, we follow the same process in all cases. This has gotten a lot of attention, but it doesn't change the circumstances [Technical difficulty—Editor] discuss matters that are in front of the commission with anyone at a meeting. We hold meetings and, as you have said yourself, we follow the rules. They're reported in my agenda, the parties report them, and we follow the rules.

• (1625)

[Translation]

**Mr. Bernard Généreux:** Mr. Scott, I'm not sure that the meeting was necessarily scheduled in your agenda. I want to remind you that the impression that a meeting like that produces reflects very badly on you and your organization.

**The Chair:** Thank you, Mr. Généreux. That was more a comment than a question. That concludes your time.

Ms. Lapointe, you have the floor for five minutes.

[English]

**Ms. Viviane Lapointe (Sudbury, Lib.):** Thank you, Mr. Chair.

Mr. Scott, thank you for your time with us today.

Last June this committee tabled a report titled “Affordability and Accessibility of Telecommunication Services”—

[Translation]

**Mr. Bernard Généreux:** A point of order, Mr. Chair.

[English]

**Ms. Viviane Lapointe:** Okay.

[Translation]

**Mr. Bernard Généreux:** Never mind, Mr. Chair. I can hear Ms. Lapointe now.

[English]

**Ms. Viviane Lapointe:** Last June this committee tabled a report. It was titled, “Affordability and Accessibility of Telecommunication Services in Canada, Encouraging Competition to (Finally) Bridge the Digital Divide”.

The committee noted:

...there is still a major digital divide between urban areas and rural and remote regions. The COVID-19 pandemic has demonstrated the need to get all Canadians connected as quickly as possible no matter where they live.

Since this report of last year, can you update us on some of the steps the CRTC is taking to help improve connectivity for those in rural, northern and indigenous communities?

**Mr. Ian Scott:** As I mentioned in my opening remarks.... Let me just take a step back and say that I completely agree with the committee's recommendation and statement. I quickly tried to point out where we are right now, which is a little more than half, if you will.... About 90% of those in urban areas have 50/10 service available to them, but it's around 50% in the case of those in rural areas. Sadly, it's less in indigenous communities.

What are we doing about it?

We initiated our broadband fund and we have been assessing applications and awarding project funding as rapidly as we can. We work together to the extent we can as an arm's-length agency with federal and provincial governments to make sure that taxpayer dollars are being deployed efficiently. Obviously, the federal, provincial and territorial governments have now committed a much larger amount of funding to try to build those things out.

Progress is being made. I think it was about 44% 18 months ago in rural areas. We don't have the most recent numbers, but it looks like it's greater than 50%. That's not a great result, but it is happening and it does take time.

The reason those rural communities are less well served is that fibre typically doesn't reach them. Fibre is being deployed in a lot of cases, as well as new technologies such as low-orbit satellites. All of these things are happening, and they're not happening fast enough, I acknowledge, for those who live in those areas with an insufficient level of service. Directionally, it's going to the right place, and we're doing what we can with our fund.

**Ms. Viviane Lapointe:** During the study last year, Daniel Goldberg, the president and CEO of Telesat Canada, told the committee about Telesat's activities in the context of broadband access in rural and remote regions. He noted that the current satellites are too deep in space to provide high capacity, low-latency service and that Telesat had some plans to develop a network of low-earth orbit satellites—I think the term is “LEOs”—to increase its satellite-based Internet capacity. This would give users access to broadband services equivalent to fibre, as you were just speaking to, as well as wireless LTE and 5G services.

Mr. Goldberg said that he expected construction of these satellites to begin in early 2021 and the system to be ready for beta testing in 2023.

Can you tell us if the CRTC has seen evidence of this project developing and how a successful deployment of LEOs could change access for northern and rural communities?

• (1630)

**Mr. Ian Scott:** We track all technical developments as best we can. We have been watching with great interest the announcements that have been made publicly about Telesat's progress as they improve various network components, and so on. We've also been watching the deployment of Starlink, SpaceX's service; and there is another one, called OneWeb. We are monitoring all of these as they do represent a potential source of similar connectivity and latency as to fibre and might become a tremendous solution for very remote and northern areas, absolutely.

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

We now move to Mr. Sébastien Lemire.

[*Translation*]

You have the floor for two and a half minutes.

**Mr. Martin Champoux (Drummond, BQ):** Mr. Chair, there was a change. I'm the one who'll speak for this round of questions.

**The Chair:** Certainly. You have the floor, Mr. Champoux.

**Mr. Martin Champoux:** Mr. Scott, I'm going to take you in another direction.

I'm sure you've seen the new version of the bill to revise the Broadcasting Act, Bill C-11.

**Mr. Ian Scott:** Yes.

**Mr. Martin Champoux:** I'm pretty sure you've had time to make this your bedtime reading over the last few days.

Last year, when Bill C-10 was being studied, a particular clause was removed. That created quite a controversy afterwards, which probably contributed to the failure of this bill. This is clause 4.1, which was reinstated in Bill C-11.

I'd like to hear your comments on how the clause was worded in the current version of the bill.

**Mr. Ian Scott:** I didn't expect to answer a question about broadcasting today.

[*English*]

I would imagine that we might well be asked to appear before the heritage committee to discuss it. I have only had an opportunity to look briefly at the new legislation as tabled.

What I perhaps would like to say about it is that the discussion I watched and heard at committee in relation to the predecessor bill, Bill C-10, and section 4.1 really went to how user-generated content would be treated. My understanding of the new legislation is that it says user-generated content won't be...unless it is subject to specific regulatory measures introduced by the CRTC.

[*Translation*]

**Mr. Martin Champoux:** Mr. Scott, I'd like to clarify my idea because my time is very short.

There is a clause that covers programs that are subject to the act. This is something that you will probably have to apply. It specifies that a program that is uploaded to an online business that generates revenue directly or indirectly, must be subject to regulations.

In this case, is there not a risk that we'll end up with an interpretation problem regarding the freedom of social media users?

[*English*]

**Mr. Ian Scott:** To be fair, on that question, I would rather take an undertaking at this point and provide information to the committee.

The legislation was only produced last week. I don't have a role; the commission does not play a role in the development of legislation.

I'm happy to answer questions about the commission's role, but if I could, I would respond perhaps in writing to the committee, or perhaps at—

[*Translation*]

**The Chair:** That's all the time we have, Mr. Scott.

Thank you, Mr. Champoux.

**Mr. Martin Champoux:** Thank you.

**The Chair:** Mr. Masse now has the floor for two and a half minutes.

Is Mr. Masse with us? I can't find him. We'll come back to him a little later.

So Mr. Fast has the floor for five minutes.

[*English*]

**Hon. Ed Fast (Abbotsford, CPC):** Thank you very much.

My questions go back to wholesale rates, Mr. Scott. You said that the wholesale rate decision reversal was a costing decision, not a policy one, correct?

**Mr. Ian Scott:** Yes, that's correct.

**Hon. Ed Fast:** However, in your May 27, 2021, news release, the CRTC said, "This [decision] will enable the industry to move towards a new wholesale model that will increase competition and investments."

Respectfully, Mr. Scott, that sounds like a policy decision. Have you moved to a new wholesale model?

• (1635)

**Mr. Ian Scott:** I don't know if you would like me to get into details about the various models.

There are two aspects to wholesale access that were established in 2016. One is called the "aggregated model" and one is called the "disaggregated model". One involves, if you will, the wholesale access of all services, and that was what the final rates were in 2019—

**Hon. Ed Fast:** Mr. Scott, I'm familiar with those two models, the disaggregated and the aggregated. I just want to know: Have you moved to a new wholesale model and was the decision actually a policy decision that you made to reverse your decision on wholesale rates?

**Mr. Ian Scott:** As I've already answered, the decision to which you're referring is a costing decision, and it established final rates for aggregated and final rates and other technical elements for disaggregated, and other aspects of the wholesale regime are still in front of us.

**Hon. Ed Fast:** Can you tell me to what degree did the reversal have anything to do with improving the prospect that large telcos would invest further, and to a greater degree, in the infrastructure required to expand broadband across Canada, especially in rural areas?

**Mr. Ian Scott:** My colleague may want to correct me if I don't remember properly.

I don't recall that being part of the [*Technical difficulty—Editor*] meeting. As I said, this was focused on costing elements, not on policy considerations.

I'm well aware that parties made submissions after in relation to court proceedings and before cabinet that related to their investments, but the decision we are discussing related to costing, not to deployment of facilities.

**Hon. Ed Fast:** You mentioned the CRTC's \$750-million broadband fund. How much of that is taxpayers' money?

**Mr. Ian Scott:** None, unless you want to refer to.... It comes from the industry. It's not a government program in the traditional sense. We do it similar to the contribution regime that was used to support the extension of basic telephone service.

**Hon. Ed Fast:** All right—

**Mr. Ian Scott:** It has been modified so that it now essentially supports the deployment of broadband services—

**Hon. Ed Fast:** But that fund—

**Mr. Ian Scott:** —but it's derived from payments from carriers.

**Hon. Ed Fast:** Mr. Scott, that fund isn't the only government money that has gone into expanding broadband access across Canada, correct?

**Mr. Ian Scott:** That's correct, but you asked me about the \$750 million—

**Hon. Ed Fast:** Yes, I agree. I'm not trying to be disingenuous here.

Do you have any idea of how much federal and provincial investment has gone into our broadband rollout across Canada since, say, 2015?

**Mr. Ian Scott:** I don't have a number in front of me. I recall appearing in front of this committee with the then deputy of ISED, and we were asked what we thought it would take—I think was three years ago—how much money it would take, to extend broadband to all Canadians. At the time, the estimate was in the area of \$8 billion—

**Hon. Ed Fast:** If I told you, Mr. Scott, that it's in excess of \$11 billion, would you be surprised?

**Mr. Ian Scott:** Of money that has been committed in principle or money spent...?

I'm not sure. I can't answer the question.

**Hon. Ed Fast:** I can tell you. If you look at the government records, it's at least \$11 billion.

Most of that funding goes to help our large telcos make those investments across Canada, yet here we are. You made a decision to reverse your initial decision, which lowered those wholesale rates, and you returned them to the 2016 rates, which were higher. It is these large telcos that, for the most part, received the largest benefit of the public investments that are being made in our broadband systems across the country. Of course, those subsidies end up going to the bottom line of the big telcos.

If you look at Rogers', Telus', Bell's or Shaw's bottom lines, there are significant profits being made, yet your organization made a decision to effectively make it more expensive for the small telcos to compete and provide Canadians with better pricing and better service.

• (1640)

**The Chair:** Mr. Fast, I'm afraid we're 30 seconds over time already. Perhaps Mr. Scott will have the chance to respond at a later point.

I'll go back to Mr. Masse for two and a half minutes.

Mr. Masse.

**Mr. Brian Masse:** Thank you, Mr. Chair.

I'll let Mr. Scott respond to that. It's a good question and Mr. Scott hasn't had a chance to answer that.

**Mr. Ian Scott:** Thank you.

Again, I have to take issue with the premise. No, our decision was about costing. It is important that we get the cost right. It doesn't matter whether it's a large company or a small company. Our task in that case is to apply a costing methodology and to come up with a just and reasonable rate that reflects the actual costs involved in providing the service.

That is what we did. As we've already mentioned, we made an error and then it was corrected as it needed to be.

With respect to the awarding of programs, I can't speak to other government programs. I can speak to the CRTC's awarding of [*Technical difficulty—Editor*]. We do not favour one group or another. We have objective criteria that were developed as a result of a fulsome process. We apply it fairly and impartially. We award projects where no one has access to 50/10 service. We are doing our best to extend service in those remote areas. We do not care via which technology or who it is, as long as they meet the criteria and improve service for Canadians.

**Mr. Brian Masse:** That's pretty well my time.

Thanks, Mr. Chair.

[Translation]

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

Mr. Dong now has five minutes.

[English]

**Mr. Han Dong (Don Valley North, Lib.):** Thank you very much, Chair.

I hope you give me an extra 30 seconds, as well. I'm just joking.

It's very good to meet you, Mr. Scott.

I have two lines of questions. Let's start with scam calls.

Scam calls are becoming a daily routine for many Canadians. [Technical difficulty—Editor] we've seen reports of increased use of this and using more advanced technology, as well. Just this morning, I got three calls from "Service Canada". We know that these are particularly harmful to newcomers and to also our senior population. At the same time, it actually reduces the credibility of our public institutions.

I understand that there is a law enforcement part of the solution, but what is CRTC doing about this problem?

**Mr. Ian Scott:** Thank you for the question. I'll try not to use up all of your time.

We're doing as much as we can. It is truly a terrible problem. We have agreements with the FCC and the Australian regulator and others, such as memoranda of understanding, to work together to try to address it.

Some of the measures that we've taken include blocking calls at source. For what are called malformed numbers—things that are obviously not real numbers—we've authorized the carriers to block those at source. We've introduced a system called Stir/Shaken, which, as it's applied, will allow companies to indicate to consumers whether or not the call has been verified. We've also recently approved what was a trial to use artificial intelligence to identify and screen out some of these calls.

I do have to quickly add that a couple of years ago when I looked at the numbers, we were talking about numbers that were something like 200,000 calls per second in the United States.

**Mr. Han Dong:** I'm sorry.

In addition to the issue we're talking about, has there been any requirement from the CRTC to private companies and carriers so that they are under pressure to correct this phenomenon? At the end of the day we, as consumers, are paying for their services.

**Mr. Ian Scott:** Yes, they are. We instructed them to do those things—

**Mr. Han Dong:** Okay. I want to get to my next question.

The CRTC is new to me, and I'm a new member of INDU. I'm learning that the CRTC has different functions. On one hand, you administer government funding to partner up with carriers and to expand broadband coverage infrastructure. On the other hand, you approve wholesale rates, and then you act as a supervisor and regulator for the industry. On top of that, you oversee the thousands of broadcasters.

Do you find it challenging to balance all these different hats? I'm asking this question in the context of Canadian customers, who are paying some of the highest rates in the world.

The fact is that there's a lot of responsibility on your shoulders, and, at times, there might be conflicts when you have to make important decisions. I compare it to the electricity system, which is equally complex. They have multiple regulators, each taking a part of the whole system.

In short, do you feel that it may be time for change? Do you think there's too much responsibility for one agency?

• (1645)

**Mr. Ian Scott:** I don't know that it's my place to talk about the future design of the CRTC.

My short answer would be no. We are able to... We're a very competent organization. We have a very skilled staff.

**Mr. Han Dong:** You have never felt that there might be a situation with a potential conflict.

There are only a few players in the market. You're approving their wholesale rates, and then you may or may not work with them to carry out government programs, funding and whatnot.

Have you never felt there was a chance for conflict?

**Mr. Ian Scott:** No. We act impartially at arm's length as a quasi-judicial agency, so no, I don't see any conflict.

**Mr. Han Dong:** Thank you very much.

Thank you, Chair.

[Translation]

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

[English]

**Mr. Brian Masse:** I have a point of order, Chair.

I have to excuse myself from the meeting. I have a border crisis in Windsor.

I apologize to our witnesses.

Please allocate my time appropriately to anyone who would like it.

I apologize [Technical difficulty—Editor] later on.

Thank you very much. I apologize for disrupting the meeting.

**The Chair:** It's completely understandable, Mr. Masse. Thank you.

I will now turn to Mr. Kram for five minutes. The floor is yours.

**Mr. Michael Kram (Regina—Wascana, CPC):** Thank you very much, Mr. Chair.

I'd like to welcome the witnesses from the CRTC to the committee today.

When I go to the malls to buy a cellphone, there's always a Rogers store, a Telus store and a Bell store. There's also a SaskTel store, because I'm from Saskatchewan, but there's no AT&T, no Verizon, no T-Mobile. Why don't we open up the the Canadian cellphone markets to American competition?

**Mr. Ian Scott:** First, I'd have to say that it's not the role of the CRTC to set government policy; rather, it's to regulate the Canadian industry. I can offer you a comment, if you wish. That would be, first, that the market is not entirely closed. It is open in certain areas. With respect to wireless, for example, carriers could come in as long as they don't have more than a 10% market share.

However, you're correct if you're saying they can't come in and, for example, buy from Telus or Rogers, which may or may not be in the public interest. There would be other foreign-investment reviews.

What we are responsible for at the CRTC is to ensure that Canadian carriers that meet the regulations are indeed Canadian-owned and controlled. That's as far as our jurisdiction goes.

**Mr. Michael Kram:** When you think of all the laws and regulations that the CRTC has to implement, if we were to open up the marketplace to more foreign or American competition, how big an undertaking would that be from the CRTC's perspective?

**Mr. Ian Scott:** Again, I can only offer a comment; it would be a decision of the CRTC. But what I would say is that, obviously, as is well known to all of you, Canada is a large country geographically, with a small population. We have facilities built out by several companies and now increasingly a number of new regional players, and hopefully more again in the future.

A company coming in and building in Canada will face all of the same challenges that are faced by, for example, the new regional entrants. It is costly to build a new network, and costly to establish a brand and awareness and so on. But if they did so, we would have more competition. The commission's approach is to make sure that we enhance competition that does exist today in Canada. That's why we introduced MVNOs that will help support the emerging competitors to better compete with the large three national players who are dominant.

• (1650)

**Mr. Michael Kram:** If an American carrier wanted to enter the Canadian marketplace, is there any reason that they could not be treated as any other regional carrier? Can you speak to some of the implications of that?

**Mr. Ian Scott:** It's not fully my area of expertise. If they were operating spectrum, they would have to get spectrum licences from the industry department. If they were starting as a new carrier, they would have to abide by various CRTC regulations—providing alerting, providing 911, and so on. Otherwise, they would be treated as any other entrant, provided they had less than 10% market share.

**Mr. Michael Kram:** In terms of driving a car in Canada or in the United States, all of our speedometers are in kilometres. In the United States they're in miles. Can you speak to any particular tech-

nical challenges that may exist if American carriers wanted to enter the Canadian marketplace?

**Mr. Ian Scott:** None leap to mind. I could turn to my colleague to see if he wants to correct me when I finish.

But technically, the technologies that are being deployed in Canada are largely the same as those in the United States. Most of the major vendors are the same. Most of the standards are the same. There's nothing obvious to me that is significantly different between the U.S. and Canada.

Phil, am I missing something?

**Mr. Philippe Kent:** No. I wouldn't add anything.

**Mr. Michael Kram:** Could you speak to what effects this would have on competition in the marketplace and prices for consumers?

**Mr. Ian Scott:** I'm not sure I can. Obviously, having more competitors generally intensifies competition, assuming they're effective. That would improve competition and presumably help lower prices. That's exactly what we're trying to do with the framework we introduced last April.

**The Chair:** Thank you, Mr. Scott and Mr. Kram.

We will now go to Mr. Gaheer for five minutes.

**Mr. Iqwinder Gaheer (Mississauga—Malton, Lib.):** Thank you, Chair.

Thank you to the panellists.

In March of 2020, the government laid out the criteria for the three major wireless providers to reduce their rates by 25%. As we heard last week, the commitment to reduce rates by 25% has been met. How do we ensure that the momentum isn't lost and that affordable wireless plans continue to be available for Canadians?

**Mr. Ian Scott:** As I mentioned earlier in one of my responses, we are carefully tracking wireless rates. That's different from perhaps the government commitment and what they're following; that was a government initiative. For our part, what we're trying to do, and what we're doing, to make sure those rates keep going down, is to continue to enhance competition.

I'm very confident that the framework we introduced last year will have that effect. Rates have been going down. They've been going down steadily. That is encouraging. They need to go down much more. That is certainly what we hope the framework we introduced will contribute to.

**Mr. Iqwinder Gaheer:** Thank you.

My understanding, and this was confirmed by you earlier, was that the CRTC doesn't intervene in the rates, in the quality of service, for Internet service providers as they relate to retail customers. It's more of a lever on the wholesale rates. Are there any other levers that the CRTC has that can lead to reduced rates for the retail customer? Is there anything else the CRTC can do?

**Mr. Ian Scott:** I'm trying to think of something.

The regulatory framework we put in place is meant to do that. When there is a case where there is market power and then, accordingly, insufficient competition, and in this case higher rates than we would like to see, then if you don't use retail price regulation you use wholesale measures. That's what we've been doing. What else can you do, as governments are doing and we are doing, but try to ensure that more facilities are built, extending into unserved areas, but also overlapping existing carriers so there's more competition between carriers, large and small?

• (1655)

**Mr. Iqwinder Gaheer:** Great.

In its June 2021 report on the affordability and accessibility of telecom services in Canada, the committee also highlighted the difficulty that multiple TSPs have in gaining access to support structures, such as utility poles. The CRTC pointed out there are consultations that are under way to address this issue. What's the status of those consultations?

**Mr. Ian Scott:** It's an ongoing process. I'm not sure if you're asking about timing. We don't say when decisions are coming out. I'll ask my colleague, Phil, to speak in a moment to where we are in the process.

With respect to the proceeding that was looking at barriers to the deployment of broadband, I believe the record is complete and the staff is conducting its analysis.

Mr. Kent, you could you speak to that quickly for me?

**Mr. Philippe Kent:** Yes, we have two ongoing proceedings, one with respect to barriers to broadband and another one that was specific to support structures and barriers to accessing support structures. The records are currently closed and we're in the process of reviewing the submissions.

**Mr. Iqwinder Gaheer:** Great. Thank you.

Chair, do I have more time?

**The Chair:** You have at least a minute.

**Mr. Iqwinder Gaheer:** You guys also mentioned that competition would be the best way to reduce rates for the retail customers, but you also mentioned the barriers to entry in the Canadian market, with a small population spread out over a large geographic area. What else could the CRTC do to increase competition to bring in maybe more support and service providers into the Canadian market?

**Mr. Ian Scott:** As I mentioned, I don't think the nationality of the competitor changes the economics. Whether it's a U.S. company or a Canadian company, you need to build out your facilities and you need to obtain spectrum or avail yourself of wholesale arrangements.

One thing I might add quickly is the other thing we try to do is educate and inform consumers so they're aware of competitive choices. We've also imposed a wireless code and an Internet code on carriers so they have to interact with their customers in an honest and transparent way, in a way that's easily understood, so that contracts aren't overly complicated, and those kinds of mechanisms. That's meant to empower consumers so they can find the best price and choose their...

I'm a soccer player. I get offended every time I see a red card, Mr. Chair.

**Mr. Iqwinder Gaheer:** Great. Thank you.

**The Chair:** But you're not disqualified, Mr. Scott. Don't worry.

**Mr. Ian Scott:** Okay.

[*Translation*]

**The Chair:** I'll now turn to Mr. Lemire, who has two and a half minutes.

**Mr. Sébastien Lemire:** Thank you, Mr. Chair.

Mr. Scott, does the CRTC think it can set up an office of expertise that will inspect the network and ensure that maintenance is done properly and is fair to service providers and those who invest in the network?

[*English*]

**Mr. Ian Scott:** We have the powers to conduct inspections under the Telecommunications Act—and I may turn to my legal colleague, Anthony, to help me respond to this in a more fulsome way—and we would do inspections in support of an enforcement action or an investigation as required. But we don't routinely go in to the field and examine what industry players are doing.

Anthony, could you add anything to that?

**Mr. Anthony McIntyre (General Counsel and Deputy Executive Director, Canadian Radio-television and Telecommunications Commission):** Thank you.

No, I think you covered that quite well. It's not a power that we've used very much.

[*Translation*]

**Mr. Ian Scott:** It happens rarely, Mr. Lemire.

**Mr. Sébastien Lemire:** Okay.

Perhaps some thought should be given to this to ensure continued investment in the network, particularly in remote areas.

I'd like to come back to the urgency of getting regulations and establishing negotiation terms. We are in a key period for ensuring investments in the network, and summer is coming. Obviously, it is more complicated to build networks, plant poles and build towers during the winter.

In your new framework, on what basis do companies negotiate settlements? What do you suggest to them?

**Mr. Ian Scott:** Mr. Kent, since you know this file, could you answer this question?

• (1700)

**Mr. Philippe Kent:** The decision indicates that the parties can negotiate something off-rate if they want to provide a service. If the incumbent company does not wish to offer this off-rate service, it will have to wait for the terms and conditions to be completed by the commission.

We recognize that there is a lot of interest in this service, and we'll do everything possible [*Technical difficulty—Editor*].

**Mr. Sébastien Lemire:** I'm glad to see that you're aware of this.

Do you have a program for building towers in which a community could invest money to have access to a wireless network, for example? How can we help a community build a tower on its territory?

**Mr. Ian Scott:** That isn't part of our mandate. The issue of broadcast towers or wireless services is more for our industry partners. I can tell you, though, that there is no rule against what you just talked about.

**Mr. Sébastien Lemire:** Thank you very much.

**The Chair:** Thank you, Mr. Scott and Mr. Lemire.

I've been told that Mr. Masse has given his time to Mr. Erskine-Smith.

Mr. Erskine-Smith, you have the floor.

[*English*]

**Mr. Nathaniel Erskine-Smith:** Thanks, Mr. Chair.

I'd just like to clear up some confusion, Mr Scott, because you said a few times that the 2021 wholesale rates decision was a correction, but in my reading, the commission is concerned that completing a fulsome revision would prolong the time period and would require significant resources.

Isn't it the case that you identified errors, but you didn't necessarily correct those errors, because it would take too much time and cost too many resources? We still don't have a really good answer despite two fulsome reviews.

**Mr. Ian Scott:** No. The reference you are making relates not to the errors that were made, but to how to determine final rates. Effectively, there were two options in front of the commission. We could have continued and [*Technical difficulty—Editor*] had new costing studies filed in order to continue, essentially, on the same track, but almost like starting over, which would have taken an extended period of time. In the commission—

**Mr. Nathaniel Erskine-Smith:** I understand you spent three years to determine one answer and two years to determine another answer, and we still don't have an answer.

Just so I have it right, there's no active ecosystem of MVNOs because they can't get access to the infrastructure. You say you want more competition, but we're not going to get new competitors coming in to build the infrastructure because we don't have an active ecosystem of MVNOs.

Isn't the answer, in a short-term way, to mandate MVNOs to create that active ecosystem, such that there are going to be investors who come forward to build the infrastructure? Then we don't rely upon the big three, the capture of the big three, and the excessive profit-gouging by the big three.

**Mr. Ian Scott:** I'm not sure if you wanted me to respond to the first question or the second. I was trying to respond, but I'll try the latter.

There's nothing to stop MVNOs from going in place. The difference is that they're not mandated, other than the ones we have now put in place, mandating them in specific circumstances. The record of that proceeding showed that, rather than contribute to competition, mandating unlimited MVNOs would have detracted from

competition and in fact done damage to the existing competitors, which are making inroads against the big three and are having a meaningful impact on wireless rates in Canada. That's why we chose the path we did.

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

I will now turn to Mr. Williams for five minutes.

**Mr. Ryan Williams (Bay of Quinte, CPC):** Let's try that again. Can you hear me now?

**The Chair:** Yes, much better.

**Mr. Ryan Williams:** Sorry, Mr. Chair.

Mr. Scott, I'm in a rural [*Technical difficulty—Editor*] even though I'm just between Toronto and Montreal, near Belleville in Prince Edward County. A lot of my residents still have trouble finding Internet, and yet we have rural areas across this whole country. We're the second biggest landmass in the world.

Is it realistic that we'll be achieving the full goal of rural connectivity by 2030 with the present players?

• (1705)

**Mr. Ian Scott:** My view is that yes, it is, and I hope it's considerably faster than that. As a number of you have pointed out, there have been considerable funds and efforts directed by all levels of government to address this problem. There are specific builds going on in addition to what the CRTC is authorizing. As another member referenced, there is significant development going on with respect to satellite technology.

I would suggest that it's looking positive for reaching all Canadians and bridging the digital divide.

**Mr. Ryan Williams:** I'm going to talk next about speeds. Right now, for 2030 the aim is 50 megabits per second. Is that not going to put us behind where we need to be in eight years?

For instance, the U.S. average today is 96 megabits per second download. Is that going to put us behind? Netflix updates itself every couple of months, and we're in 4k. Who knows when the next 8k would be. Is that going to be fast enough for Canadians?

**Mr. Ian Scott:** Probably not. It's interesting; I believe the mandated U.S. service level is still 25 megabits per second. But all of us are going to have to review this.

I would note that it was the CRTC five or six years ago that set 50/10 as an aspirational target. It wasn't our place to dictate what speeds would be required, but the commission set it as an objective that looked forward and seemed to be a reasonable amount.

You're quite right. With the evolution of HD and ultra HD, and the amount of video programming, the requirement in the future may be much higher. Indeed, the service offerings that are out there today are up to, and in some cases exceeding, a gigabit, and many Canadians, particularly during the pandemic, have been increasing the speeds they subscribe to. I don't know what the average is now, but it's more than 50/10.

**Mr. Ryan Williams:** I think it's the technology that always doubles.

I know the following issue was mentioned today by Madame La-pointe. Starlink is the existing carrier that seems to be dominating the low-orbit satellites. I know you've mentioned that. Has the CRTC looked at what happens if Starlink grabs a greater share? First of all, it seems that Starlink is the only carrier out there. Telesat is a Canadian company. We hope to see more. If Starlink gets bigger, has CRTC talked about what implication that would have for the market and how we're looking at that at a competition level?

Second, have you looked at pricing for Starlink yet, given that it really has a monopoly on the low-orbit satellites right now?

**Mr. Ian Scott:** Again, we don't regulate retail Internet, so we certainly haven't looked at pricing. Starlink is still predominantly in an experimental phase. It's not available everywhere. It's taking advance orders. We're certainly monitoring their development, as we are Telesat's program and OneWeb's.

I can only say that I'm encouraged to see that there are multiple platforms that are being deployed that can bring that kind of service to the most isolated areas. The biggest challenge is going to be the last 1% or 2%, and satellite-delivered service may be the best technology to get to those places where fibre's not appropriate.

**Mr. Ryan Williams:** Well, they call it "the last mile" in broadband, and maybe it's the last frontier for low-orbit satellite.

Do we have any discussions going on with existing big carriers like Bell and Telus about low-orbit satellite? Have there been any discussions at all on that front?

**Mr. Ian Scott:** None that I'm aware of.

Starlink is a direct [*Technical difficulty—Editor*] know if OneWeb has announced what its intentions are. My understanding of Telesat service is that they would be wholesaling their capacity to companies, whether it be a small operator or a Bell or Rogers. That's my understanding of the proposed business models.

**Mr. Ryan Williams:** Thank you, Mr. Scott. I appreciate it.

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

I will now turn to Mr. Fillmore for five minutes.

**Mr. Andy Fillmore (Halifax, Lib.):** Thanks, Chair.

First of all, thank you to the witnesses for your time and for joining us today.

I want to take us to the land of broadband. We have arrived at a system in Canada now where the large carriers are building the infrastructure, what's on the poles and so forth, and then there's an ecosystem of smaller, newer carriers that are piggybacking on that infrastructure and charging lower rates. This is fine; this is a part of the element of competition that we're trying to reach.

An element of this, though, is that the competition is either more or less fair whether you're in an urban or a rural setting. In dense urban settings, it's not so much of a bite off of the large carrier's investment in the hard infrastructure, but in the rural areas where the infrastructure user per kilometre is much lower, it gets to be a little bit more painful.

There's the famous example that's been relayed to me a few times in a Canadian rural community where the large company provided

the hard-wired infrastructure, including into an apartment building, but the enterprising university student living in the apartment building, after having the right business class, created his own carrier and was selling the Internet service to his neighbours more cheaply than the larger carrier could provide.

I invite you to muse with me about whether there is anything in the CRTC's domain or plans that would help to mitigate some of those variances in the degree of competition that emerges and that would make it a little fairer regarding urban or rural.

• (1710)

**Mr. Ian Scott:** I think you accurately described the challenge. In urban areas there's a bigger market and it attracts more competition.

We have in Canada, if you will, sort of a head start. Many countries only had a wire-line telephone system, never wired cabled. We, like the U.S., have two wires in most homes, cable and telephone wires. Then we have wireless on top, and then we have, as you've described, resale—people obtaining access on a wholesale basis to that and reselling it.

The challenge in rural areas is that there's much less business interest in competing there. The challenge for the CRTC is to figure out what kind of wholesale arrangements are suitable in rural areas that will accomplish both objectives, continuing to see facilities extended to the underserved or unserved while also supporting competition, and that's a very challenging proposition.

We'll be looking at Northwestel, the company that provides service to most of northern Canada, in the coming months and year, and that will be one of the big challenges in that case.

I'm not sure if that fully answers your question, but you're absolutely right that rural areas are more challenging and often need a different approach from urban areas.

I hope that answers your question.

**Mr. Andy Fillmore:** It gets there. Thank you.

There's probably another minute or two left.

You mentioned that you're going to be watching Northwestel to see what happens there. Regarding the fund that you administer, for example, is there anything there that would help to close the gap on some of the companies that are providing the stretched out part of the structure in rural areas to help them out a little bit?

**Mr. Ian Scott:** In the case of our fund, we're using what are called hexagons. Basically the rule is that if no one in a 25 square kilometre hexagon has 50/10 service, then the area is eligible to apply for support from our fund.

We don't care if it's a large or a small player. They have to partner with someone who has experience in deploying facilities, but it's open to indigenous bands, individual Canadians, municipalities, provincial governments—everybody except the federal government. If they put in a project that meets the criteria and if it compares favourably with others and delivers 50/10 service, then we'll consider it, and we choose the best ones.



• (1715)

**Mr. Andy Fillmore:** I guess that in the northern and remote areas, with the adjacency of those hexagons, there are going to be a lot more of them clustered together, and it's going to be hard...so we're going to then turn to the LEOs, the low-earth orbit satellites. Similarly, is there anything in the fund you administer that supports the filling in of the gaps using the low-earth orbit satellites?

**Mr. Ian Scott:** Not specifically. We're technology agnostic, but it's actually sort of almost the reverse. Where there's a concentration.... If we take a city like Iqaluit in Nunavut, at least there's a concentration there and you can use various technologies to reach the population. The north and other rural parts of Canada are characterized by very spread-out populations. Satellite may be most useful in reaching dispersed populations.

I'm getting another red card, so I'm going to stop.

**The Chair:** Thank you, Mr. Scott. I appreciate your co-operation.

We have time now for an extra round, starting with Mr. Fast for five minutes.

**Hon. Ed Fast:** Thank you.

Mr. Scott, I want to go back to the wholesale rate reversal decision.

One of your predecessors as chair of the CRTC, Konrad Von Finckenstein, has said he was shocked that the commission could reverse itself so abruptly on lowering rates. He said, "I was stunned by this decision."

Why would a former commissioner of the CRTC be so stunned by the reversal decision?

**Mr. Ian Scott:** Obviously, I can't speak for what prompted Mr. Von Finckenstein's comment, but what I can say is that I assume he didn't read the decision, nor was he familiar with the record of the proceeding that led to the change.

**Hon. Ed Fast:** Having gotten to know Mr. Finckenstein a little bit, my guess is he did read the decision.

That said, back in 2019, the government directed the CRTC to look at how to create a more competitive environment. I believe you suggested that you were moving towards a new wholesale model.

I just wanted to ask, how is that going? How quickly do you believe that is going to lower rates for Canadian consumers?

**Mr. Ian Scott:** The policy direction—and there are two that are there—is carefully observed by the commission. In each decision you'll see that typically at the end of the decision it will indicate how the commission considered the policy directions that have been provided to it by the government.

In terms of the ongoing proceedings, as Mr. Kent mentioned earlier, there are several of them. Some of the records are complete, and some of them are still in progress, so I can't offer you a time frame for the completion of each of those proceedings, but work [*Technical difficulty—Editor*] intensify competition and reduce rates goes on constantly, and does so today.

**Hon. Ed Fast:** Let me ask you another question.

Consumers—Canadians who are watching these proceedings—will probably be scratching their heads and saying, okay, in 2016, wholesale rates were established, and in 2019 the CRTC lowered those wholesale rates, presumably to increase competition, which would come from second tier telecoms and not the big guys necessarily, and within two years, that decision is reversed, and the wholesale rates are increased.

I think it's fair for Canadians to ask how in the world increasing wholesale rates will improve competition and lower the rates that consumers pay.

**Mr. Ian Scott:** In the first instance, we're talking about identifying the costs. There are many elements to the HSA, the wholesale access agreement, such as technical arrangements, how many points of interconnection, how it works and which facilities are included. It's a very complex matter and there are multiple elements. The costing of wholesale service is but one.

With respect to overall rates, between 2010 and 2015, rates were going up at a very rapid rate—between 30% and 40%, as I recall. The commission has taken numerous steps to intensify competition, including the establishment of the current HSA arrangement. That had the effect of stopping those increases, and rates flattened out. They increased slightly sometimes or decreased slightly, and you saw competitors' market share grow, and it has continued. Then we had to make determinations on wholesale costs.

You've said several times "increasing the cost". No—determining the final rates based on costs, and that was what we did, as I've said several times now and corrected again.

• (1720)

**Hon. Ed Fast:** Mr. Scott, the costs you're referring to are the costs incurred by the big telecoms. Am I correct?

**Mr. Ian Scott:** They are the costs establishing the rates that need to be paid to them for the use of those facilities.

**Hon. Ed Fast:** It's the big telecoms that benefit from this decision. Is that correct?

**Mr. Ian Scott:** I don't know how you determine a benefit. The costs relate to their cost structure and established rates. If what you mean is that the rates that could have been in place—remember that the earlier rates never were actually in place—would have represented a lower wholesale rate, that is correct.

**The Chair:** Thank you, Mr. Scott, and Mr. Fast.

I will now turn to Madame Lapointe for five minutes.

[*Translation*]

**Ms. Viviane Lapointe:** Thank you, Mr. Chair.

[*English*]

I will be splitting my time with my Liberal colleague, Mr. Erskine-Smith.

Mr. Scott, in its policy direction to the CRTC in 2019, the government directed the commission to place high consideration on competition, affordability, consumer interest and innovation in all of its telecommunication decisions.

Can you highlight for us today how the CRTC is making progress in achieving these policy directives?

**Mr. Ian Scott:** As I mentioned earlier, the policy directions effectively instruct us to emphasize—that is, to take into careful consideration—certain elements of the telecommunications' objectives. There's a list of objectives. Sometimes you can read them altogether, and they are complementary in certain cases and they are contradictory in certain cases. What the policy direction says is this is what the government wants you to carefully consider and emphasize.

As I said earlier, we do that and it's reflected in all of our decisions. Towards the end of the decision, it will spell out how we have applied the existing policy directions to the particular proceeding. We do it in each instance.

**Ms. Viviane Lapointe:** Thank you.

I've completed my time.

**The Chair:** Thank you.

Nate.

**Mr. Nathaniel Erskine-Smith:** I will pick up on my colleague's question.

Mr. Scott, I have expressed some frustration today in part because when we talk about the digital divide—and you have referenced closing that gap—do you think it's fair to say that a significant digital divide is not geographic, but based on income?

**Mr. Ian Scott:** I suppose you can characterize it that way. Generally, when we use the phrase, we're talking about the availability of service. Obviously, there are additional challenges that go to income levels, but that's not geographic. Obviously, that's in any and all—

**Mr. Nathaniel Erskine-Smith:** And a digital divide based on income.... It's actually, based on some the research, a more significant digital divide.

When you have an essential service like Internet access and you're mandated to address competition and affordability, and you've been in the job for over four years.... Affordability is about addressing that digital divide on income for constituents like mine. What do I tell them that we have accomplished in your four-plus years to reduce rates, make life more affordable and the Internet more accessible, which is essential service for Canadians in my community?

**Mr. Ian Scott:** I should just say in the first instance that it is not about me as an individual. It's about the commission. Decisions are rendered by all members with the assistance of our staff, as I mentioned earlier.

• (1725)

**Mr. Nathaniel Erskine-Smith:** You are the chair of the organization, though.

**Mr. Ian Scott:** I am, and I am one member of a nine-member commission at the moment.

**Mr. Nathaniel Erskine-Smith:** If I were the chair of an organization, I might not cast it in that way. I might take responsibility for the organization that I chair.

**Mr. Ian Scott:** As do I. I'm simply pointing out that decisions of the commission are not mine to make.

What we have accomplished is that we have continued to further the rollout of broadband services geographically. What we—

**Mr. Nathaniel Erskine-Smith:** On income and affordability, Mr. Scott, for an essential service like the Internet....

**Mr. Ian Scott:** If you're asking me if we have introduced rate regulation to establish rates, as I have already explained, no, we did not.

There are a number of—

**Mr. Nathaniel Erskine-Smith:** That's not my question. I'm just trying to say that the mandate is competition and affordability for an essential service like the Internet. You've been in the job for over four years and what I see is a wholesale rate decision that undercuts competition, as Mr. Fast suggested, and then I see an MVNO decision that very modestly pushes the needle in addressing competition.

After four-plus years, don't you think we should expect more?

**Mr. Ian Scott:** I don't have an answer to that. I already answered both questions with respect to MVNO. I have attempted to answer all of your questions with respect to the reconsiderations of the costing decisions—

**Mr. Nathaniel Erskine-Smith:** I appreciate that. I express the frustration.... It's not directed at you. It's directed at the institution.

I'll just close with this because I've been asked by many people what purpose the CRTC serves today. When it comes to the essential service that is the Internet and making it more affordable and accessible for Canadians, I'm not sure I have a good answer.

Thank you.

[*Translation*]

**The Chair:** Thank you, Mr. Erskine-Smith.

I'll now give the floor to the last person.

Mr. Lemire, you have two and a half minutes.

**Mr. Sébastien Lemire:** Thank you, Mr. Chair.

Mr. Scott, what is the role of the CRTC in managing falsehoods and misinformation on the Internet? Are you equipped to combat misinformation or hate content online?

**Mr. Ian Scott:** I'm not sure I understood your question. Could you please repeat it?

**Mr. Sébastien Lemire:** Do your powers apply to the content put online by Spotify, for example? If so, what is the scope of your powers? Do your powers apply only to licencees?

[English]

**Mr. Ian Scott:** At the moment, with respect to the Broadcasting Act, the CRTC really only has available to it two approaches to regulation. We can license broadcasters, broadcast distribution or programming undertakings. Otherwise, we use what's called the "digital media exemption order". A company like Spotify can't be licensed because it is not Canadian-owned and controlled, which is a policy direction of the Government of Canada to the CRTC under the Broadcasting Act.

We have jurisdiction over other players under an exemption order, but that is the driving reason for the need for Broadcasting Act reform. It is to give us clear lines of responsibility over new online players that are involved in broadcasting in Canada and to give us the necessary tools to develop a new regulatory framework.

[Translation]

**Mr. Sébastien Lemire:** I'd like to ask one last question, Mr. Scott.

What will be your legacy as CRTC chairperson?

I'm curious to hear your views on this.

**Mr. Ian Scott:** What is my—

**Mr. Sébastien Lemire:** What is your legacy.

As chairperson, what change have you made to Canadian broadcasting and telecommunications?

[English]

**Mr. Ian Scott:** I honestly don't view my job that way. When I started, I was asked what my vision was. I suppose I'll be asked what my "legacy" was, if that's the term.

[Translation]

I'm sorry, but I don't know the word in French.

[English]

That's not how I look at it. We deal with matters as they come before us, whether it's application by parties or whether it's initiated by government or self-initiated.

It sounds sort of trite, but it isn't to me. We do the best job we can in the public interest. We develop a record. We ask the important questions. We get submissions from all Canadians and then we render decisions that we believe are truly in the public interest.

That's what a good regulator does and I hope that's what we have done under my leadership.

• (1730)

[Translation]

**Mr. Sébastien Lemire:** Thank you very much.

**Mr. Ian Scott:** Thank you, Mr. Lemire.

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

That concludes our rounds of questions.

Mr. Scott, on behalf of all the members of the committee, I'd like to thank you and your team for making yourselves available and taking the time to meet with us.

Dear colleagues, thank you again for your co-operation.

The meeting is adjourned.

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