

Written Submission for the Pre-Budget  
Consultations in Advance of the Upcoming  
Federal Budget

By: Shaw Communications Inc.

## **List of Shaw Communications Inc. Recommendations for Budget 2021:**

**Recommendation 1:** That the Government of Canada continues its policies that support private sector investment in telecommunications infrastructure and provide long-term regulatory certainty to ensure that Canada remains a global leader in connectivity.

**Recommendation 2:** That, as Canada transitions to the 5G era, the Government of Canada continue to implement wireless policies in support of facilities-based competition to meet the evolving demands of consumers, businesses, and governments.

**Recommendation 3:** That the Government of Canada accelerate the implementation of Universal Broadband Fund by working with the Canadian Radio-television and Telecommunications Commission ("**CRTC**") and provincial governments to develop a simplified and consistent application process for these programs.

**Recommendation 4:** That the Government of Canada address barriers to passive infrastructure that impede the expansion of wireless and wireline broadband connectivity to the areas of Canada that need it most.

August 7, 2020  
Standing Committee on Finance  
Sixth Floor, 131 Queen Street  
House of Commons  
Ottawa ON K1A 0A6  
Canada

**RE: Pre-Budget Consultation**

Dear Committee Members,

I am writing to you to convey Shaw Communications Inc.'s ("**Shaw**") recommendations for consideration in the upcoming federal budget process. During the past few months, Shaw has focused on managing our wireline and wireless networks to ensure uninterrupted service during a period of unprecedented demand resulting from the global pandemic. During the pandemic, traffic on our network increased by as much as 50% as governments asked Canadians to stay home to help combat the spread of COVID-19. As our society embraced working and learning from home, it has become clear that the backbone of Canada's economy and society throughout this crisis has been our wireline and wireless networks.

Shaw is a leading Canadian connectivity company, proud to provide quality services to more than seven million residential and business customers across the country, including broadband internet, wireless, WiFi, video and digital phone services. Our expanding wireless division, which operates as Freedom Mobile and the recently launched Shaw Mobile, has provided greater competition and increased affordability in the mobile market.

Shaw respectfully submits the following recommendations to the Finance Committee:

**Recommendation 1: That the Government of Canada continues its policies that support private sector investment in telecommunications infrastructure and provide long-term regulatory certainty to ensure that Canada remains a global leader in connectivity.**

Canada is in the initial stages of recovery as businesses of all sizes are slowly resuming their operations, but under strict restrictions to control the spread of COVID-19. The speed and degree to which Canada's economy comes back to life will depend in large part on the country's telecommunications networks. No business – regardless of its size or nature – can build its products, sell its services, hire its employees, engage with customers, collaborate internally, or market itself without access to high-quality broadband networks. As we look forward, those networks will also spur fresh growth throughout the entire economy, as Canadian innovators look for new ways to leverage connectivity to advance novel business, environmental, cultural, educational, health and other social initiatives.

Unfortunately, the stable investment climate that has resulted in significant private sector investment in Canada's broadband internet and wireless networks is threatened by:

- (i) the decision by the Canadian Radio-Television and Telecommunications Commission (CRTC) to slash the wholesale rates at which Shaw and other network builders are required to sell internet to third party resellers; these new rates are well below our cost to deliver the service, and TD Securities has estimated that this

decision will reduce network investment by Canada's six largest telecommunications companies by \$1.68 billion per year; and

- (ii) the possible introduction of mobile virtual network operators (MVNOs) in Canada, which would allow third party resellers to resell the Big Three's (Rogers, Bell and Telus) networks to consumers, thereby undermining the ability of regional competitors, like Shaw, to bring facilities-based competition to the wireless market. If a mandated MVNO regime had existed in Canada a few years ago, it would have not been possible for Shaw and other regional providers to have delivered on their promise of bringing more competition and more affordable wireless products to market. Shaw and other regional competitors continue to face challenges as they invest to expand their disruptive presence. However, if resale MVNO is implemented, the circumstances for Shaw and other regional competitors will go from being challenging to being impossible.

Canada's telecommunications providers must be able to do what they do best: build networks that can reliably handle increasing amounts of traffic while providing their customers with higher speeds and resilient service. In order to continue the level of investment that has resulted in higher speeds, network expansion, increased competition and lower prices, Shaw and other network builders must have certainty that their massive network investments will not be jeopardized by policies that do not promote innovation and effective, sustainable competition.

**Recommendation 2: That, as Canada transitions to the 5G era, the Government of Canada continue to implement wireless policies in support of facilities-based competition to meet the evolving demands of consumers, businesses, and governments.**

We are at a significant moment for Canada's mobile wireless market as we begin our transition to the 5G era, which has the potential to deliver enormous benefits to Canadians, both economically and socially. The scope of the impact of 5G is expected to be far broader and more transformative than previous leaps, including that from 3G to LTE. 5G is not just about faster speeds for mobile phones, it will enable the internet of things, where interconnected devices will exchange information at incredibly fast speeds, resulting in innovative products and services. According to a recent report by Accenture Strategy, the adoption of 5G technology in Canada will propel innovation across industries, improving our standard of living and economy with an expected \$40B GDP uplift by 2026 and creation of 250,000 permanent jobs<sup>1</sup>.

The full benefits of 5G will only be realized if strong and sustainable competition takes hold in the Canadian wireless market. This means that the federal government must continue to implement pro-competitive policies with respect to future spectrum auctions, including spectrum set asides. Without these policies, the Big Three have the ability and incentive to shut out Shaw and other regional facilities-based competitors from 5G, entrenching their dominance and limiting the potential benefits that 5G holds for the Canadian economy and society. Consumers, businesses, governments, developers and entrepreneurs all need strong, affordable and competitive 5G networks and services, for purposes of their own use, but also, critically, in order

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<sup>1</sup> Accenture Strategy, "Fuel For Innovation: Canada's Path in the Race to 5G," June 9, 2018, online: [https://www.5gcc.ca/wp-content/uploads/2018/06/CWTA-Accenture-Whitepaper-5G-Economic-Impact\\_Updates\\_WEB\\_06-19-2018.pdf](https://www.5gcc.ca/wp-content/uploads/2018/06/CWTA-Accenture-Whitepaper-5G-Economic-Impact_Updates_WEB_06-19-2018.pdf) (accessed June 28, 2018).

to develop and innovate new applications, products and services, which will create new jobs and grow the economy.

**Recommendation 3: That the Government of Canada accelerate the implementation of Universal Broadband Fund by working with the CRTC and provincial governments to develop a simplified and consistent application process for these programs.**

Canada's broadband success story is the result of a combination of market forces, targeted subsidies, and a policy framework that encourages investment, sustainable competition and choice. For the vast majority of Canadians, market forces can be relied on to ensure that Canadians have access to high quality, fast and reliable broadband. However, there are rural and remote communities that are difficult to serve without support from the public sector.

Federal and provincial governments have introduced several funding programs to connect underserved communities. The Connect to Innovate program<sup>2</sup>, which was introduced in Budget 2016, was a positive example of a program that focused on broadband transport infrastructure (usually a high capacity fibre optic transport link that connects to communities) and last mile infrastructure (a local access network that connects broadband transport to individual homes and businesses). That program is being replaced with the new Universal Broadband Fund, whose criteria and application process remains under development.

As the Universal Broadband Fund is expected to work in conjunction with funding programs from provincial governments and the CRTC, it would simplify the application process if these funding programs all had a simple and consistent application process and criteria. This would accelerate the ability of the industry to get shovels in the ground and connect underserved communities sooner.

**Recommendation 4: That the Government of Canada address barriers to passive infrastructure that impede the expansion of wireless and wireline broadband connectivity to the areas of Canada that need it most.**

The poles, ducts, conduits and other structures that support the cabling, electronics and other network gear have always been critical to advancing and expanding broadband connectivity in Canada. However, as we embark on 5G, this "passive infrastructure" has never been more important. This is because 5G will require much denser deployments of network gear.

At the same time, with the connectivity gaps in rural, remote and Indigenous communities urgently needing attention, it is essential that network builders have reasonable access to passive infrastructure for network expansion into those communities through 5G and other platforms.

Expansion of transport infrastructure to many rural and remote areas can be accomplished by connecting fibre optic cables to existing electrical and utility poles and other forms of passive infrastructure. Using existing passive infrastructure is far more cost efficient than constructing new utility pole lines or burying these cables over long distances. However, some forms of passive infrastructure are not regulated by the CRTC, such as electrical utility poles. The

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<sup>2</sup> Shaw was extremely pleased to have been approved for \$11.73 million in funding from the Connect to Innovate program for two projects in British Columbia that will connect 16 communities, including six indigenous communities, with a high-speed broadband network.

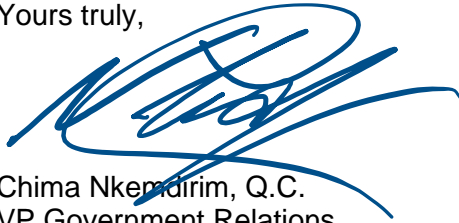
annual rates charged to network providers for access to those poles are established using vastly differing methodologies, depending on the jurisdiction, and are prone to periodic and severe price hikes.<sup>3</sup>

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

We recommend that the federal government exercise its jurisdiction to enable the CRTC to regulate all forms of passive infrastructure for the efficient and effective deployment of telecommunications infrastructure.

In closing, Shaw stands ready to continue its constructive dialogue with government on these recommendations, or on any issue where we can provide support to the policy-making process. Thank you again for the opportunity to participate in the pre-budget consultation process.

Yours truly,



Chima Nkemdirim, Q.C.  
VP Government Relations  
Shaw Communications Inc.

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<sup>3</sup> For example, the Ontario Energy Board recently established a rate of \$43.63 per pole, which is three and a half times more than the \$12.48 per pole rate set by the CRTC for poles owned by Bell Canada.