

Minister of Innovation,
Science and Industry



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Mr. Joël Lightbound, M.P.
Chair
Standing Committee on Industry and Technology
House of Commons
Ottawa, Ontario K1A 0A6

Dear Colleague:

Pursuant to House of Commons Standing Order 109, the Government of Canada is pleased to respond to the Second Report of the Standing Committee on Industry and Technology, entitled: *Affordability and Accessibility of Telecommunications Services in Canada: Encouraging Competition to (Finally) Bridge the Digital Divide*, which was tabled in the House of Commons on March 4, 2022.

The Government of Canada extends its gratitude to the members of the Committee for their work, and expresses its appreciation to the witnesses who appeared or provided written submissions. The Government supports the efforts of the Committee to examine the challenges and opportunities within Canada's telecommunications sector. As well, the Government appreciates the Committee's advice on how policies, programs, and regulatory frameworks can better serve Canadians when they use vital telecommunications services.

The Government recognizes that now more than ever, access to high-quality telecommunications services plays a critical role in the digital economy, as well as supports economic growth, innovation, and social inclusion for Canadians in all regions of the country, including in rural and remote areas. For Canada to be a world-leader in the digital economy, telecommunications networks must keep pace with changes in the knowledge-based economy.

This report demonstrates the Committee's dedication to finding ways to improve access to high-quality networks in rural and remote communities, as well as promote competition and affordability in the telecommunications sector. The Government has carefully considered the report and its recommendations, and is taking actions that support the directions set out within.

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The CRTC is an independent regulatory body, however, under the *Telecommunications Act*, the Governor-in-Council may issue Policy Directions which the CRTC must follow in making its decisions. Most recently, the Government proposed a new, comprehensive, direction to the Canadian Radio-television and Telecommunications Commission (CRTC) to strengthen competition in the telecommunications sector as well as improve the affordability of telecommunications services and advance consumer rights. The renewed policy direction would build on the 2019 direction, which means that the CRTC will still need to consider how its decisions can promote competition, affordability, consumer interests and innovation.

The Policy Direction sets out to enhance wholesale Internet access, increase wireless competition, improve consumer rights, speed up service deployment and universal access, and build better regulations for a world where telecommunications is essential.

Going forward, the Government will continue to explore other ways in which its policies and programs can be further improved to continue to support the expansion of telecommunications services and promote competition in the most effective manner possible.

The Government will address the recommendations put forward by the Committee by grouping them into four themes: 1) Promoting Competition, Consumer Interests, and Affordability, 2) Expanding Access, 3) Facilitating Access to Passive Infrastructure, and 4) Improving Spectrum Measures for Rural Access.

PROMOTING COMPETITION, CONSUMER INTERESTS, AND AFFORDABILITY (Recommendations 2, 3-6, 14, 15)

The Government agrees with the Committee that Canadians should have access to a competitive marketplace that provides access to affordable telecommunications services. To this end, the Government and the CRTC have a number of initiatives in place already to help promote competition in the telecommunications sector, which will be further elaborated upon below. The Government notes that in fulfilling its mandate, the CRTC must balance policy objectives including competition and investment, in line with the objectives laid out in the *Telecommunications Act* and the binding policy directions issued by the Government. The Government believes that renewed policy guidance is required and that is why a new Policy Direction has been proposed that would place greater emphasis on measures that will support competition.

Regarding competition for fixed Internet services, the Committee is familiar with the CRTC's wholesale regulatory framework for fixed Internet, which is a proven regulatory tool for enabling retail competition. In a 2019 market study, the Competition Bureau found that telecommunications service providers (TSPs) making use of wholesale services

had a positive impact on the market and that it remains important that the competition brought by the wholesale framework be preserved and capitalized on going forward. It further stated that: “one of the best ways to ensure vigorous competition in broadband services is to [...] minimize regulatory uncertainty.” Various studies have found that internet prices offered smaller TSPs, supported by the framework, are lower than those of larger companies.

The Government has supported this policy and continues to do so. For example, in May 2016, the Government denied Bell’s petition to overturn the CRTC’s policy decision to extend the application of the framework to fibre-to-the-home networks. The wholesale services framework and rates, however, would benefit from clearer direction and more efficient decision making, promoting enhanced regulatory certainty.

The proposed Policy Direction would address the uncertainty in the market by directing the CRTC to implement measures to maintain the framework indefinitely, monitor its effectiveness and make any adjustments in a timely manner. The Government is taking this action because it considers that the market structure of competition in the fixed retail Internet market requires this framework for sufficient competition while balancing investment incentives. Some stakeholders have argued that the wholesale framework is not needed, however, the Government’s position is that it is essential for competition and must be maintained.

The CRTC would also be instructed to take action to have more timely and improved wholesale rates available and be directed to not phase out the existing model for wholesale access by third-party competitors. The Government considers that, while the new model holds promise, access to the existing model continues to be needed to ensure sustainable competition. For example, there is limited access to competitive transport facilities in certain areas of Canada at this time, and many potential competitors will not be able to enter the market based on the new model without this infrastructure. The CRTC would only be allowed to phase out the existing model when it is clear that broad, sustainable and meaningful competition will persist if the service is no longer mandated. This would also ensure that the framework provides adequate options for competitors on a timely basis, and is applied equitably across carriers. These measures are anticipated to have a real impact on making sure the framework is effective at providing broad, sustainable and meaningful competition that will lead to lower prices.

Regarding mobile wireless services, to help further promote competition, in March 2020 the Government set targets for Bell, TELUS, and Rogers to lower their prices by 25% within two years for mid-range mobile wireless plans that offer 2 to 6 GB of data (across their brands). In January 2022, after less than two years of quarterly price tracking, the government announced that the target has been met ahead of schedule. Prices for all tracked mid-range plans have decreased by 25% compared to the benchmark prices. This

commitment to hold carriers accountable for their prices is part of a broader trend of price decreases driven by the pro-competitive actions. Statistics Canada's cellular services price index shows that wireless prices across the board, including larger plans, have declined, with the index decreasing by 26.9% over the same time period.

The Government also continues to take action to increase competition in the wireless market by enabling regional and smaller carriers to increase their radiofrequency spectrum holdings. Spectrum is a key resource used by carriers to connect wireless devices such as smartphones and provide services to Canadians. Canada allocates mobile wireless spectrum through auction processes where carriers bid for the right to use certain spectrum bandwidths. Setting aside spectrum for regional and smaller service providers has enabled them to become effective competitors in many parts of the country.

Most recently, the Government set aside 50 MHz of spectrum for small and regional carriers — competitors that have been shown to put downward pressure on prices — in the recently concluded 3500 MHz band auction. This set-aside spectrum enabled smaller and regional providers to increase their total mobile spectrum holdings by over 50%, strengthening their ability to offer competitive services. The 3500 MHz band has been identified worldwide as one of the key spectrum bands to be used for the next generation of technology, commonly referred to as 5G. Further measures are planned in upcoming 5G auctions, including for the 3800 MHz band.

Moreover, on April 15, 2021, the CRTC concluded a review of mobile wireless services which aims to promote greater competition in the market and more affordable choices for Canadians. The CRTC mandated that some of the large wireless service providers allow smaller, regional companies to access their networks with the aim of encouraging network expansion and bringing new competitive choices to consumers. The CRTC's decision also included requirements that the national wireless carriers provide regional service providers with seamless roaming to prevent dropped calls, and extended mandated roaming to 5G services.

These measures will further assist competition. Additionally, the CRTC decision included an expectation that the national wireless carriers begin offering low-cost plans and occasional-use plans on their main brands, in an effort to benefit low-income Canadians, seniors, and those who use their devices sparingly.

The proposed Policy Direction complements ongoing government action in the wireless telecommunications sector by contributing to the development of a robust regulatory framework. On the wholesale front, this includes directing the CRTC to monitor and improve its approach to wholesale mobile virtual network operator (MVNO) access where needed. The Policy Direction also directs the CRTC to periodically review the broader mobile wireless services regulatory framework, and to consider factors that could harm competition when doing so.

The Government shares the Committee's view that consumers should have the information they need to make informed purchasing decisions based on accurate and transparent information. To this end, the Government has taken a number of concrete actions to help support consumers. For example, in early 2020, the CRTC implemented the Internet Code, which stated objectives of establishing consumer friendly business practices, making it easier for consumers to obtain and understand the information in their internet service contracts.

The proposed Policy Direction would also take a number of steps to further protect consumers and enhance their rights in the marketplace. Among other things, the CRTC would be directed to improve the ability of the Commission for Complaints for Telecom-television Services (CCTS) to be more responsive to consumer needs, increase the transparency of telecommunications service plan pricing and make it easier for consumers to change or cancel services.

Furthermore, it would direct the CRTC to improve the accessibility of telecommunications services for Canadians with disabilities. The proposed Policy Direction would also direct the CRTC to require that TSPs conduct mandatory performance broadband testing, including testing speeds in rural areas and on emerging technologies, such as fixed wireless broadband.

With respect to the download and uploads speeds that Canadians receive, during peak periods more specifically, the Government notes that in 2015, the CRTC launched the *Measuring Broadband Canada Project* to measure Internet performance in Canadian homes over a variety of wireline broadband technologies. The CRTC collaborated with several large Canadian Internet service providers (ISPs) and SamKnows, a United Kingdom-based company specializing in broadband measurements, to collect broadband performance data in both 2016 and 2019.

These studies included data on download and upload speeds, as well as latency (i.e., the time it takes for data to travel between two points). The results of these studies are publicly available on the CRTC's website and indicate that most services sampled met or exceeded their advertised speeds over their wireline networks. The proposed Policy Direction would direct the CRTC to continue to build on these efforts. Further, as alluded to above, it would require the CRTC to ensure that service providers are conducting these tests regularly and that they include testing of services based on commonly used technologies in rural areas, where there can be greater challenges in realizing speeds. The information resulting from these tests would be made available to consumers.

To help low-income Canadians obtain access to the Internet, the Government of Canada has established the Connecting Families initiative (CFi). CFi works in collaboration with 15 ISPs to offer low cost internet services at a price of \$10/month. Eligible families

include those that receive the maximum Canada Child Benefit (CCB). The service offering provides speeds of 10 Mbps download and 1 Mbps upload. Since the inaugural launch in 2018, over one million letters have been sent to eligible households to invite them to participate in CFI. To date, more than 75,000 families are benefitting from this initiative. The Connecting Families initiative also committed to help connect low-income Canadians to the Internet by distributing up to 50,000 computers to eligible households. On August 11, 2021, the Government of Canada announced the second phase of the initiative, Connecting Families 2.0, which expands the program's eligibility and provides faster speeds. In particular, eligible recipients will receive Internet speeds of 50/10 Mbps and 200 GB of data usage for \$20/month. This new phase will also broaden eligibility from families who receive the maximum CCB to include low-income seniors who receive the maximum Guaranteed Income Supplement (GIS).

Beyond these measures, the Government has also worked with the telecommunications industry throughout the COVID pandemic to ensure Canadians have access to the telecommunications services they need to continue to work and study from home. Many ISPs implemented time-limited measures to help Canadians access essential telecommunications services at home at more affordable rates. For instance, this included waiving usage caps and overage fees, offering packages at lower rates or providing credits on existing plans, and offering flexible payment plans.

The Government recognizes that some Canadians are either unable or struggling to afford goods and services, including telecommunications services. That is why income supports for Canadians exist at the federal and provincial levels, to provide financial support to those in need. Since the beginning of the COVID-19 pandemic, the Government has provided Canadians with the support they need to stay healthy, safe and solvent. The Government's broad suite of [support measures](#) has helped families, protected jobs, and supported businesses across Canada. This support has included the Canada Emergency Response Benefit (CERB), the Canada Emergency Student Benefit, three recovery benefits and a more flexible and accessible Employment Insurance (EI) program. After the creation of the CERB, which supported over 8 million Canadians, the government transitioned the support to a suite of new temporary benefits: the Canada Recovery Benefit, the Canada Recovery Caregiving Benefit, and the Canada Recovery Sickness Benefit.

EXPANDING ACCESS (Recommendations 1, 12, 13, 16)

The Government recognizes that all Canadians, no matter where they live, should have access to high-quality, robust, and affordable telecommunications services. Access to affordable broadband Internet, particularly in rural and remote regions, is essential to participating in the digital economy.

The Government has a comprehensive approach to broadband connectivity. In June 2019, the Government published Canada's first broadband strategy entitled [High-Speed Access for All: Canada's Connectivity Strategy](#). The Strategy is a key part of the Government's ambitious plan to ensure that all Canadians have access to affordable, high-speed connectivity at speeds of at least 50/10 Mbps, regardless of where they live or work. It outlines Canada's action plan to deliver on this commitment through leveraging new and existing investments and technologies, as well as to collaborate with partners, such as the private sector and provinces and territories. The Strategy was informed by extensive consultations, including with provinces and territories, municipalities, Indigenous communities, businesses, and individual Canadians across the country.

The Government's overall approach to expanding access has been to establish marketplace frameworks to foster competition and investment, effectively manage spectrum to encourage the availability of wireless services, and establish targeted funding programs for rural broadband expansion for areas that lack a private sector business case. In Canada, the private sector is a key collaborative partner and has made important financial contributions to the telecommunications sector. The private sector is the main driver of investment in telecommunications networks, investing \$11.4 billion in broadband and mobile networks in 2020. This market-driven approach has served Canada well, with high-quality wireline and wireless networks available to the vast majority of Canadians. However, while progress is being made, certain rural and remote areas continue to have limited access to connectivity services, due to the challenging business case for private sector deployment in these areas. In 2020, a little over 99% of urban households had access to 50/10 Mbps per second versus only 54% of rural ones. The Government has put several targeted funding initiatives in place to help expand connectivity in underserved areas where gaps persist.

In Budget 2021, the Government provided an additional \$1 billion to the Universal Broadband Fund (UBF), for a total of \$2.75 billion under this program, to support connectivity in underserved rural and remote communities. The UBF includes a core intake to expand high-speed Internet access across the country, as well as (1) a Rapid Response Stream, which offered an accelerated application process to approve shovel-ready projects that could be completed quickly, (2) up to \$50 million to support mobile Internet projects that primarily benefit Indigenous peoples, including projects along highways and roads where mobile coverage is lacking, and (3) up to \$750 million to support large high-impact projects, many of which will be in partnership with the Canada Infrastructure Bank (CIB). Announcements under the Rapid Response Stream began in December 2020, only one month after the program launched, and include a number of smaller, municipal and Indigenous projects from across the country.

Announced projects and the applicant names can be found on the UBF website at www.canada.ca/get-connected.

The UBF is making substantial progress to provide coverage to underserved Canadians across the country. In 2021, the Government of Canada, the Government of Quebec, and several TSPs announced a partnership to invest up to \$920 million to connect up to 166,000 households in Quebec to high-speed Internet by 2022. In July 2021, a similar partnership with Ontario was announced to invest up to \$1.2 billion to connect up to 280,000 households in the province to high-speed Internet by 2025. In February 2021, the Government of Canada and Newfoundland and Labrador committed up to \$136 million (up to \$116 million from the UBF and \$20 million from the provincial government) to cover up to 60,000 underserved households. In March 2022, the Governments of Canada and Alberta committed to invest \$780 million (\$390 million each) to support broadband expansion to up to 200,000 underserved households. Shortly after, a partnership with the Government of British Columbia (BC) was announced to invest up to \$830 million to support projects to cover up to 115,000 underserved households. This amount includes a previous partnership announced in April 2021 where the two governments partnered to invest up to \$4.5 million to provide mobile wireless coverage along Highway 16, known as the Highway of Tears, which will help improve safety along the highway corridor. To date \$2.09 billion of the available funding from the UBF program has been announced, with more to be announced soon. Through strong partnerships, the government has leveraged nearly \$2 billion in matching provincial dollars and even more in private sector investment, and funding commitments will cover up to 913,000 of the 1.542 million underserved households.

The UBF builds on the success of the government's Connect to Innovate (CTI) program. Launched in 2016, CTI will invest \$585 million in new backbone infrastructure required to bring faster speeds to rural and remote communities across Canada. By the end of 2021, 730 communities were brought online, including more than 90 Indigenous ones. By 2023, CTI will bring faster speeds to 975 rural and remote communities – 180 of which are Indigenous.

With the additional funding for the UBF, the Government has now made a total of \$7.2 billion available for broadband expansion since 2015. In addition, the government is leveraging funding from other federal partners, other levels of government, as well as the private sector to ensure significant investments are supporting its connectivity targets. Collectively, these investments will ensure that 98% of Canadians are connected to high-speed Internet by 2026, with the goal of connecting all Canadians by 2030. The government is committed to connecting all Canadians to matter where they live.

As part of these investments, the CRTC established a \$750 million fund to help expand access in underserved rural and remote areas sourced from an industry levy. The CRTC's fund is expanding access to 50/10 Mbps services in underserved areas as well as access to the latest mobile wireless technologies where Canadians live and along major roads. To date, the Broadband Fund has committed up to \$206 million to improve broadband

service for 170 communities, representing approximately 30,405 households. More announcements are anticipated in the coming months. The proposed Policy Direction would instruct the CRTC to continue to implement and adjust its Broadband Fund to make any adjustments warranted to effectively meet connectivity needs across the country in coordination with other public funding.

The Government is also leveraging low-earth orbit (LEO) satellite technology to connect households and businesses in Canada's most geographically challenging areas. In November 2020, the Prime Minister announced an agreement of \$600 million with Canadian satellite company Telesat to improve connectivity and expand high-speed Internet coverage to the far north, rural, and remote regions across Canada, through low-earth-orbit satellite capacity.

These efforts are complemented by additional broadband initiatives, such as general infrastructure programs administered by Infrastructure Canada and Indigenous Services Canada to improve connectivity, increased financing through the CIB, and broadband initiatives from local levels of government including the provinces and territories. For example, the CIB has announced several projects to date, including a \$164 million investment in partnership with Valley Fibre Ltd., which will connect up to 49,000 households in Manitoba to high-speed Internet.

In addition to providing funding to close broadband gaps across the country, the government has also taken action to improve broadband program delivery and coordination. In Budget 2021, the Government introduced targeted amendments to the *Telecommunications Act* to help improve and streamline broadband funding and program coordination across the country. These amendments included measures to facilitate information sharing between the CRTC and the federal government and provincial and territorial governments regarding applications to the CRTC's Broadband Fund. This will allow for better broadband coordination across governments, while respecting the CRTC's independence as an arm's-length regulator.

The Government shares the Committee's view that non-traditional TSPs can play an important role in the expansion of broadband services. With each new broadband program, Innovation, Science and Economic Development Canada (ISED) looks to improve program delivery, including by streamlining application processes and providing support to smaller applications. In designing the UBF, the Government built on lessons learned from previous programs and took concrete steps to help encourage greater participation and uptake from small rural and Indigenous service providers. Prior to the launch of the UBF in November 2020, the government consulted with a diversity of broadband stakeholders, including Indigenous organizations. These consultations had a major impact on program design. Past applicants told us that application processes were burdensome and complicated. Therefore, the government streamlined the application

process, created a portal so documents could be worked on in stages and launched the innovative Pathfinder Service to support all applicants, but particularly smaller ones. The Pathfinder Service helped applicants identify what funding is available and provided advice on project development. The Pathfinder Service received approximately 2,000 inquiries during the application period with almost half of them coming from small ISPs, Indigenous communities and municipalities. They also offered 18 webinars to over 1,000 participants and sent out nine e-blasts to help applicants prepare their submissions to the program.

The UBF was also designed to ensure appropriate support for Indigenous applicants by providing funding at 90% of project costs for projects that primarily benefit Indigenous peoples, versus 75% for other projects. The UBF also set aside \$50 million to support mobile projects that will primarily benefit Indigenous peoples' health, safety and economic needs.

The Government also recognizes the importance of continually reviewing its broadband speed targets to ensure it aligns with evolving technological developments and the overall usage trends of Canadians. Canada's Connectivity Strategy established a universal connectivity speed target that all Canadians should have access to speeds of at least 50/10 Mbps. This aligns with the target speeds adopted by the CRTC's in its last review of Canada's basic service regulatory framework. These speeds are capable of supporting modern applications such as high-definition video streaming and video conferencing and can support use by multiple simultaneous users. In addition, network infrastructure capable of providing these speeds is generally scalable, meaning that it can support download and upload speeds of higher speeds without requiring significant new investment.

Through the UBF, the Government provides funding to projects that will support speeds of at least 50/10 Mbps. However, many approved projects are capable of much higher speeds – particularly for projects that are fibre-to-the-home or equivalent. The UBF assessment criteria considers the scalability of projects to ensure that new broadband infrastructure will keep pace with evolving usage trends and technological advancements. The Government is committed to continuously reviewing its speed targets as consumer demands evolve and new technologies are developed. The CRTC is also anticipated to conduct a review of its basic service regulatory framework in the coming years. The proposed Policy Direction would ensure that the CRTC considers evolving technologies, performance needs and gaps.

The Government notes that the CRTC's wholesale regulatory framework ensures some level of competition in many rural communities, and the CRTC has the power to introduce new obligations where warranted and appropriate. The proposed Policy Direction would ensure the existing model that supports broad access is maintained. The

CRTC is also currently looking at the issue of wholesale access to transport networks in the context of barriers to rural broadband deployment. Consultations were launched in December of 2019, and the CRTC is evaluating the evidence of whether to mandate access to this part of incumbent networks. The Government is monitoring closely and awaiting the decision upon this matter. In addition, government funding programs such as the UBF and CRTC fund have requirements in place that where recipients of program funding are required to provide third parties with access to their networks.

FACILITATING ACCESS TO PASSIVE INFRASTRUCTURE

(Recommendations 10, 11)

Efficient access to passive infrastructure is crucial for expanding Canada's broadband and mobile networks. In many cases, duplicating these assets is simply not economically practical or possible. From another perspective, nor is duplication of certain infrastructure aesthetically desirable to local communities. Collaboration is needed since responsibility for these assets involves different players and is shared across federal, provincial, municipal levels of government.

The Government recognizes the importance of removing barriers to infrastructure sharing. Canada's Connectivity Strategy also highlights the importance of access to passive infrastructure and that, since authorities are split across jurisdictions, actions by different levels of government are important. The Strategy outlined that the federal government would continue to raise awareness on this issue across jurisdictions, that the CRTC and ISED would review regulatory frameworks within their jurisdiction, and the government would consider potential legislative remedies.

Additionally, the CRTC is taking action to address this issue. In December 2019, the CRTC launched a new public proceeding to examine barriers to broadband expansion and solutions within its jurisdiction. The primary focus is on access to passive infrastructure such as the telephone poles and underground ducts owned by TSPs, though it is also examining other issues such as access to fibre and mapping of existing assets. The proceeding has attracted a broad range of interveners such as industry associations, TSPs, public interest advocacy groups, as well as provincial/territorial and municipal associations. In addition, in October 2020, the CRTC announced a proceeding specifically on poles due to the evidence of the broader general proceeding above that untimely and costly access to poles has negative impacts on broadband deployment. The CRTC intends to identify and implement specific regulatory measures that will make access to poles more efficient as an outcome of this proceeding. In addition, through the proposed Policy Direction, the CRTC would be directed to improve access to support structures under its jurisdiction (e.g., telephone poles) as well as to identify and address other barriers to timely deployment.

Awareness of this issue has also been raised throughout ISED's UBF program. The UBF considers passive infrastructure access in the comparative assessment criteria. For example, projects in which applicants own passive infrastructure assets and take action to make it more promptly accessible to third parties, and those in which applicants can show a commitment of speedy collaboration in accessing others' passive infrastructure, are assessed more positively. This explicit consideration is anticipated to heighten awareness and underscore the importance of efficient access, as well as encourage multi-jurisdictional collaboration between asset-owners and seekers to facilitate efficient access and deployment.

The Government is also pleased that various provincial and territorial governments are taking action to support efficient access to passive infrastructure. For example, in 2020, the Government of Quebec launched a Coordination Table on Access to Telecommunications Support Infrastructure, which works to facilitate solutions between the owners of support structures and those seeking access. Ontario's provincial broadband strategy aims to reduce "red tape" associated with passive infrastructure access, and has adopted legislation intended to make access to infrastructure such as electrical poles more efficient. The Government will continue to work collaboratively with other levels of government to raise awareness about the importance of this issue and to address potential barriers to network deployment.

IMPROVING SPECTRUM MEASURES FOR RURAL ACCESS

(Recommendations 7-9)

The Government is committed to ensuring all Canadians have access to fast and reliable Internet, no matter where they live. That's why the Government continues to develop spectrum policies to support easier access to spectrum that will improve access to broadband services. Access to spectrum is key to ensuring small and regional providers can deploy quality wireless services, particularly in rural and remote communities. To this end, a recent suite of proposed changes will support higher quality and better access to high-speed internet in rural and remote communities across Canada.

To address concerns that there is licensed spectrum in rural and remote areas that is not being used, and that insufficient access to this spectrum is impeding the expansion and improvement of wireless broadband services for consumers and businesses, ISED consulted on several initiatives in Fall 2021 that support rural and remote deployments and promote spectrum sharing, backstopped by a "use-it or lose-it" principle, which is discussed in more detail below.

Through the [*Consultation on New Access Licensing Framework, Changes to Subordinate Licensing and White Space to Support Rural and Remote Deployment*](#), ISED proposed an Access Licensing Regime, which would be a new licensing process for unused, licensed

spectrum in rural and remote areas. New users (e.g., wireless Internet service providers, utilities, mines) would be able to apply to ISED for access to spectrum in rural and remote areas where existing licensees have not used their spectrum. ISED proposed to first implement this regime in three bands (800 MHz Cellular, 1900 MHz Personal Communication Service, and 900 MHz land mobile radio). The proposed regime is designed to allow expansion to other bands in the future.

In the [Consultation on Amending Cellular and Personal Communications Services \(PCS\) Licence Conditions](#), ISED proposed to implement a more ambitious deployment requirement than those originally in place, to ensure that Cellular and PCS spectrum is put to use throughout the licence term. The consultation will inform the development of new deployment requirements in support of greater access to spectrum in rural and remote areas, helping ensure that all Canadians can participate in the digital economy no matter where they live and work. Licensees would be able to meet the new requirement by expanding their services to new areas or by subordinating their licences to other providers.

In the [Consultation on Updates to the Licensing and Fee Framework for Earth Stations and Space Stations in Canada](#), ISED proposed changes to the licensing and fee framework for earth stations and space stations (satellites) with a goal of promoting spectrum efficiency and facilitating the deployment of networks that support rural and remote broadband services (e.g. LEO satellite systems) by: removing administrative and financial obstacles to improving quality of satellite service (e.g. broadband capacity); streamlining licensing processes to reduce complexity; setting predictable and consistent fees that encourage spectrum efficiency and impose costs for spectrum reservation.

ISED expects to issue decisions related to these consultations in the coming months. Further to this, ISED released the [Streamlined Framework for Auctioning Residual Spectrum Licences](#) on August 4, 2021, to make it easier for wireless providers to get access to licenses, primarily in rural/remote areas, that go unsold at auction. As well, in the May 2021 [Decision on the Technical and Policy Framework for the 3650-4200 MHz Band and Changes to the Frequency Allocation of the 3500-3650 MHz Band](#), ISED designated 80 MHz of spectrum for shared use in the 3900-3980 MHz band. A licensing framework to provide small providers with easy access to this spectrum will be developed through a future consultation in 2022.

Beyond the measures outlined above, the government has implemented a number of initiatives over the past few years to promote spectrum access so small and regional providers can deploy quality wireless services, particularly in rural and remote communities, including:

- introducing a set of smaller (Tier 5) geographic licence areas to make it easier for small providers to target rural areas in line with their business needs;

- making additional spectrum available at low or no cost to benefit small and regional providers, such as TV white space spectrum and 6 GHz spectrum for licence-exempt services such as Wi-Fi;
- modernizing licence fees for fixed point-to-point radio systems to make it more economical for providers to deliver services, particularly in rural communities where Internet deployment often depends on the use of these systems to provide backhaul; and implementing pro-competitive measures in spectrum auctions to provide regional and smaller competitors, such as Wireless Internet Service Providers, to acquire the spectrum they need to offer services, including in rural and remote areas.

Going forward, facilitating timely access to unused spectrum, particularly in rural and remote areas, will remain a priority for the Government. ISED is continuing to look at ways to modernize its regulatory tools and fees to support this.

With respect to spectrum auctions, the Government's objective is not to maximize revenues but to get the spectrum into the hands of companies who will use it to provide services for Canadians. Auction revenues are a one-time installment and not an ongoing source of funds designated for particular funding initiatives. The *Radiocommunication Act* does not give the Minister power to allocate those fees for a particular purpose. As such, ISED does not keep auction revenues – they are remitted to the Consolidated Revenue Fund. The \$20.6 billion dollars raised by spectrum auctions since 2014, including the \$8.91 billion raised by the 3500MHz auction in 2021, have been used to support Government priorities and initiatives that benefit Canadians, including rural broadband.

Accordingly, the Minister of Innovation, Science and Industry has no legal mechanism to provide reimbursement for the amounts spent acquiring spectrum licences to providers to offer services in rural and remote areas. Rather, to ensure that service providers put their spectrum to use in a timely manner, especially in rural and remote areas that tend to see broadband deployment lag more populated areas, ISED uses conditions of licence which include deployment requirements. All spectrum licenses that are issued through an auction have deployment requirements and ISED publicly consults on these requirements prior setting the final licensing rules.

Deployment requirement levels reflect the minimum population coverage that licensees are required to meet within a service area within a specific timeframe. Different coverage levels are set for each licence area based on the population of the major centres for that particular licence area. Areas with major urban centres typically have higher coverage requirements to reflect the high population density, while more rural/remote areas have lower requirements given the low population density and higher cost of service in these areas. In recent licensing processes, the required coverage levels increase both in percentage of population and geographic coverage throughout the licence term.

Deployment coverage levels from older licensing processes were able to be met mainly by serving urban areas. However, recent spectrum licensing decisions have included an additional component that also requires increased geographic coverage. Since 2015, all spectrum licences that have been auctioned or renewed have included stricter deployment requirements in smaller, more targeted areas, which will require companies to extend coverage well into rural areas to meet them.

For example, the 3500 MHz auction imposed ISED's strongest deployment requirements to date to ensure that this spectrum is put to use in rural areas soon as possible, while ensuring deployment targets are reasonable for all providers, not just national providers. Licensees will be required to demonstrate that they are using this spectrum to provide service to specific targets at years five, ten, and twenty from the initial issuance date of the licence. In addition, recognizing that current mobile service providers are well placed to quickly deploy newly acquired spectrum, ISED requires 3500 MHz licensees to demonstrate they are using the spectrum in all areas where they have existing mid-band LTE coverage within even tighter timelines. Further to this, in its recent [Consultation on a Policy and Licensing Framework for Spectrum in the 3800 MHz Band](#), ISED proposed to impose the same requirements used for the 3500 MHz licences for the 3800 MHz auction. ISED expects these strong deployment requirements to result in licensees providing coverage to more households within their licence area and bringing next-generation services more quickly to a greater number of people.

ISED monitors compliance with these deployment requirements based on relevant milestones. Failure to meet deployment requirements or other conditions of licence can have serious consequences, including the return to ISED of all or a portion of the licence in question.

The Government recognizes that sufficient and appropriate spectrum resources should be available to ensure that Canadians continue to benefit from advancements in wireless technology. Flexible use licensing, which allows licensees to provide fixed, fixed wireless access and/or mobile services, enables licensees to better align their services to the needs of their customers. This approach is intended to enable new technology and innovations while supporting a variety of different needs and use cases, such as broadband for high-speed Internet in all areas of Canada including rural and remote, as well as to support the growing demand for new 5G services.

In ISED's consultations to develop the technical and policy frameworks for the 3500 MHz and 3800 MHz bands, published in June 2018 and August 2020 respectively, the majority of respondents, including large and small telecommunications providers, satellite companies, equipment manufacturers, public safety stakeholders, and industry and municipal associations agreed with the proposal to allow flexible use, stating that it will

promote innovation and early adoption of 5G technologies in Canada. They noted that flexible use licensing will allow operators to deploy the best-suited technology to meet demand, whether it be for fixed or mobile services.

ISED always undertakes public consultations when developing or updating the technical, policy, and licensing rules for specific spectrum bands, and will continue to do so in the future. As part of these consultations ISED will continue to consider the type of licence to use based on available technology, international trends and obligation, technical feasibility and demand for services.

Conclusion

The Government of Canada would like to reiterate its thanks to the members of the Standing Committee for their work and dedication to the completion of this comprehensive study. The Government has taken the recommendations into consideration and will continue to work with key stakeholders, including the private sector, provinces and territories, Indigenous communities, not-for-profit organizations, and civil society in promoting access to high-quality, robust and affordable telecommunications services.

Sincerely,

A handwritten signature in black ink, appearing to read 'F. Champagne', with a stylized flourish at the end.

The Honourable François-Philippe Champagne, P.C., M.P.