



CCSA

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Regulatory

September 22, 2017

VIA EMAIL: TRAN@parl.gc.ca

Standing Committee on Transport, Infrastructure and Communities
Sixth Floor, 131 Queen Street
House of Commons
Ottawa ON K1A 0A6
Canada

Attention: Marie-France Lafleur, Clerk of the Committee

Dear Ms. Lafleur,

Subject: **CCSA Submission for Consideration in the Committee's Study on Infrastructure and Communities: Rural Broadband Funding**

- 1) Please find attached a brief from the Canadian Cable Systems Alliance, Inc. in relation to the Committee's Study on Infrastructure and Communities: Rural Broadband Funding.
- 2) As a representative of more than 125 independent communications distribution companies who serve Canadians from sea to sea to sea, CCSA is delighted to see the Committee studying this important issue.
- 3) CCSA offers its comments in a spirit of constructive assistance and will be pleased to assist, in any way it can, as the Committee considers this matter.

Executive Summary

- 4) Our comments in the brief that follows, support the following broad themes and recommendations:
 - Broadband service must now be viewed as critical infrastructure that is at least as important as water, electricity and roads;



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- The unique challenges posed by what, in the legacy telephone world, are called High-Cost Serving Areas must be understood and addressed;
- Solutions must be driven, developed and implemented at the local level using the knowledge, expertise and resources that best understand and can respond to local needs. Governments can assist most effectively by helping to “de-risk” projects that local communities, ISPs and private investors seek to launch; and
- It is crucial that networks, once built, be sustainable. Capital project funding, in many cases, is not a full answer. There must be ongoing support for network operation and upgrading where the local economics, at least for now, cannot justify the cost of the networks.

5) CCSA has provided a summary of recommendations in the attached brief.

6) CCSA would welcome the opportunity to provide in-person testimony to the Committee at the Committee’s convenience.

7) CCSA thanks the Committee for the opportunity to offer these comments.

Sincerely,

Christopher J. Edwards
Vice-President, Regulatory Affairs



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CANADIAN CABLE SYSTEMS ALLIANCE INC.

**Submission for Consideration in the
Standing Committee on Transport, Infrastructure and
Communities'
Study on Infrastructure and Communities:
Rural Broadband Funding**



CCSA Member Company Systems

September 22, 2017



Introduction

1. Extension of broadband service to all Canadians, including those who live and work in rural and remote areas, has become a priority for governments at all levels. As a representative of more than 125 independent communications distribution companies who serve Canadians from sea to sea to sea, CCSA is delighted to see the Committee the important issue of infrastructure in communities, and we are pleased to focus our recommendations on broadband access and the “digital divide” Canada currently experiences.
2. CCSA offers its comments in a spirit of constructive assistance and will be pleased to assist the Committee, in any way it can, as the Committee considers this matter.
3. As a starting point, it is useful to step back and remind ourselves of the reasons for funding extension of broadband service, especially outside Canada’s major urban markets.
4. At bottom, this is about social and economic development. As a recent Intelligent Communities Forum (“ICF”) paper puts it:

The broadband economy is the product of the buildout of the 21st century’s low-cost, high-speed communications and information technology on both the global and local levels. This has resulted in societies acquiring innovative and sustainable ways of working and living. There is growing collaboration and cooperation across time zones and cultures that creates open markets, boosts productivity, improves efficiency, promotes sharing of limited resources, generates employment, and improves living standards.¹

5. This is about all Canadians being able to participate in and contribute to those benefits.
6. In contrast to that promise, we see the current reality of many Canadian communities where manufacturing and “bricks and mortar” commerce have

¹ ICF Canada, “Broadband: the essential utility”, Draft Final – Approved, accessed at https://d3n8a8pro7vhm.cloudfront.net/icf/pages/391/attachments/original/1482476784/Broadband_Utility_ICF_Canada_Position_Paper_FINAL.pdf?1482476784 [hereinafter *ICF Canada Paper*] on August 18, 2017 at page 3.



retreated but full transition to today's information technology economy has not yet occurred. A recent CARTT.ca article about the town of Chatham, Ontario said:

Independent ISP TekSavvy's home is one of those working class towns that "used to" have a lot of things. It used to have a Rockwell International factory. It used to have a Campbell's Soup plant. There used to be a window manufacturing company.

7. The article continues:

TekSavvy, however, used to be small and has become a huge success story in the city of about 40,000. Now with over 600 employees (most of whom work in that former soup factory that TekSavvy renovated, with others also in Toronto and Montreal), the company is now the second-largest private employer in Chatham, behind Union Gas.

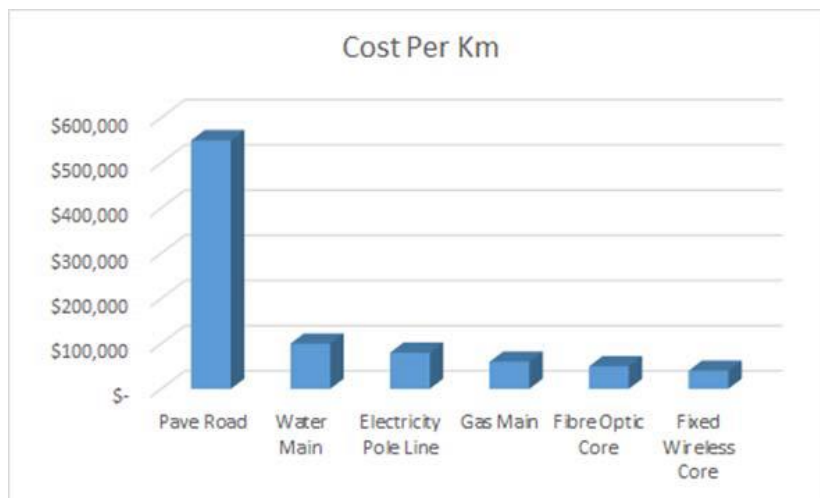
8. TekSavvy, a CCSA member, is at the center of a re-vitalization of Chatham. Similarly, Hamilton, Ontario is beginning to boom again thanks largely to local initiatives to make Hamilton a leading "intelligent community", starting with a major commitment to an aggressive roll-out of fibre throughout the municipality.
9. However, in thousands of smaller, more rural and remote communities, such changes are anxiously sought but have not yet begun. Such communities are seeing their local businesses struggle and close and their populations dwindle. Increasingly, it is impossible to sustain such communities without widespread access to high-quality, high-speed communications services.
10. It is that "digital divide" that Canada must address. The objective must be that all Canadians stand to benefit from the new "innovative and sustainable ways of working and living" that the ICF describes and that are taking hold in countries all around the world.
11. How does Canada, with its vast and challenging geography and its relatively sparse population, set about meeting those objectives? As we consider that question, we see a few key themes and recommendations emerge:
 - Broadband service must now be viewed as critical infrastructure that is at least as important as water, electricity and roads;
 - The unique challenges posed by what, in the legacy telephone world, are called High-Cost Serving Areas must be understood and addressed;



- Solutions must be driven, developed and implemented at the local level using the knowledge, expertise and resources that best understand and can respond to local needs. Governments can assist most effectively by helping to “de-risk” projects that local communities, ISPs and private investors seek to launch; and
- **Recommendation:** CCSA recommends that networks, once built, be sustainable. Capital project funding, in many cases, is not a full answer. There must be ongoing support for network operation and upgrading where the local economics, at least for now, cannot justify the cost of the networks.

Broadband as Critical Infrastructure

12. The ICF paper offers a chart² that dramatically illustrates the relative cost of different infrastructure elements, in this case, for the city of Kingston, Ontario:



13. In Canada, once we recognize projects as belonging to a class of essential or critical infrastructure needed for Canadians’ basic welfare, we have been willing to spend the money to build that infrastructure. Indeed, just this Summer, Canadians celebrated the opening of a new \$229 million³ road project to connect Inuvik and Tuktoyaktuk.

² ICF Paper at page 3.

³ Katherine Barton, CBC News, “Crews connect Inuvik to Tuktoyaktuk highway in the middle”, Apr 08, 2016, accessed at <http://www.cbc.ca/news/canada/north/inuvik-tuktoyaktuk-highway-1.3526669> on August 18, 2017.



14. The chart illustrates the point that, while the overall dollar amounts required to fibre the country are massive and daunting,⁴ the required investment in fibre connectivity is, in fact, relatively modest in comparison to, for example, building new roads.
15. Taking a view of broadband fibre facilities as essential infrastructure is helpful in terms of creating a national and governmental commitment to funding the “wiring” of Canada. In that context, it is an eminently justifiable and relatively inexpensive infrastructure spend.
16. However, the same view comes with its own baggage. Foremost is the idea that massive, national infrastructure spends require governments to create massive, national funding programs, complete with the complex administrative apparatus that generally accompanies such programs.
17. Because such programs are designed at a national level, for instance, blanket eligibility criteria can result in exclusion of small, localized projects that might be highly worthwhile. As an example, the CRTC’s initially proposed criteria for its broadband funding program exclude any 25 km² “hexagons” any part of which have 50 Mbps service or any service areas within 2 km of an existing fibre Point of Presence.
18. Such criteria may effectively deny funding opportunities for extension of last-mile “fiber to the barn” services in hamlets that are close to larger urban markets but, nonetheless, lack any form of modern broadband service.
19. As the former C.E.O. of Execulink Telecom, Inc., a CCSA member and SILEC based in Woodstock, Ontario said, “If somebody lives 10 kilometres outside of Tilbury, for example, they might as well be in the northwest Territories . . . and our big challenge is making sure that people in Ottawa understand that.”⁵
20. In a similar vein, CCSA was struck by the comments, at the CRTC’s 2015 Basic Telecommunications Services oral hearing, of mayors from municipalities within a half-hour drive of Montreal whose communities lack broadband service. A specific

⁴ *ICF Canada Paper* at page 7 estimates “the total funding to fibre wire Canada is about \$40 - \$60 billion or \$1,422 per person or \$3,754 per occupied private dwelling” .

⁵ Keith Stevens, as quoted in CARTT.ca article “THE INDEPENDENTS: Execulink serves customers any way it can”, March 14, 2017.



example concerned automated farming operations that need more bandwidth to take advantage of today's automated agricultural tools.⁶

21. **Recommendation:** CCSA recommends that funding programs must account for the reality that it is not only remote areas that require support: many sparsely-populated communities close to the major centres also require subsidized facilities.
22. The CRTC funding program, as initially designed, requires applicants to provide evidence of "other government funding", a criterion that can generally be met by larger companies with established government relationships but which may be much more difficult for smaller companies to satisfy.
23. In general, the criteria for application under ISED's Connect to Innovate funding program are reasonably flexible and CCSA member companies are applying for project funding. However, both the CRTC and ISED funding programs have extensive and complex application processes and forms that, by themselves, are daunting to smaller, locally based companies.
24. While it is helpful to think of broadband as critical infrastructure, it is also necessary to think flexibly and locally about the types of projects and applicants that need to be accommodated by governmental funding programs.
25. That is especially true as one gets out to the edges of the existing networks – be they truly remote or relatively close to urban centres – where smaller ISPs are often the companies with the local knowledge and expertise needed to develop innovative, cost-effective solutions for their areas.
26. **Recommendation:** We agree with the recommendation of the British Columbia Broadband Association, in response to the CRTC request for comments on design of its funding program, that:

A simplified application and reporting process should be considered for small funding awards (for example, funding awards of under \$100,000 capital expense). This would permit small local service providers to conduct individual projects without investing in expanding their corporate capacity.⁷

⁶ CCSA, "Telecom Notice of Consultation CRTC 2015-134, Review of basic telecommunications services, Final Written Comment", May 16, 2015 at para. 36.

⁷ British Columbia Broadband Association. "Re: BC Broadband Association's Comments on Telecom Notice of Consultation CRTC 2017-112 – Call for comments: Development of Commission's broadband funding regime (File No. 1011-NOC2017-0112)", June 28, 2017 at para. 71.



27. **Recommendation:** Similarly, rather than requiring recipients of smaller funding amounts to enter into contribution contracts that entail substantial progress measurement and reporting requirements, government could consider a much simpler system of grants for worthwhile projects that can be performed under a given funding threshold.

The Challenge of High-Cost Serving Areas

28. CCSA member companies serve over 1,500 communities across Canada. The vast majority of those are rural and remote communities. There is a reason those small companies serve those areas.
29. The Coop de Câblodistribution de l'Arrière Pays – CCAP for short – is based in Quebec City and provides TV, internet and landline telephone service to over 17,000 subscribers in the Laurentian foothills, covering the communities of Lac-Beauport, Lac-Delage, Lac-Saint-Charles, Stoneham-et-Tewksbury, Ste-Brigitte-de-Laval and Notre-Dame-des-Laurentides, from an office on the outskirts of Quebec City. The territory is “very mountainous and spreadout”.⁸
30. Says the General Manager, Stéphane Arseneau:

In the city, you think about clients per pole, but out here it's poles per client That's the challenge. When a major company comes to a territory like ours, they'll say, the houses are too spread out, it's not profitable, and they won't go any further. That's why the co-op was formed in the beginning.⁹

The Capital Investment Challenge

31. Mr. Arseneau's comments reflect the experience of most CCSA member companies. They were created to serve the needs of communities that were too expensive to attract investment from large, publicly-held companies that must focus on projects that provide their shareholders with attractive returns on investment.

⁸ Maryna Carré, as quoted in CARTT.ca article, “THE INDEPENDENTS: CCAP - “In the city, you think about clients per pole, but out here it's poles per client.”, March 9, 2017.

⁹ Stéphane Arseneau, *Ibid.* [emphasis added].



32. The fundamental challenge in such areas is low population density. It simply takes far more physical plant to serve a customer in such areas than it does in densely populated urban markets. Aside from the increased initial capital cost to build networks in such areas, the combination of spread out facilities and, often, rough terrain, make maintenance of the facilities more expensive.
33. Dery Telecom, based in LaBaie, Quebec, has become the province's largest independent operator and serves a vast geographic area. Says one of the company's owners, Nathalie Gagnon,:

The average population of the villages we serve is around 600 Other companies don't always go into those communities. Going into those communities requires more investment – more buildings and more infrastructure. But we have no choice, particularly if we want to stay close to people in rural communities.¹⁰

34. Quadro Communications, a 3,100-member telecom co-op headquartered in Kirkton, Ont., "has already deployed fibre to the home to every farmhouse, barn and business in its four exchanges which sit in in parts of Perth, Huron, Middlesex and Oxford counties in southwestern Ontario farm country about 45 kms north of London, Ontario."¹¹
35. As a recent CARTT.ca article notes about Quadro's investment:

. . . folks living in places like Wartburg . . . , Woodham, and Sebringville have had access to Gigabit internet since the summer when the company completed an eight-year, \$20-million fibre build. It wasn't just to new, greenfield areas or to its more densely populated areas. Quadro has built fibre to everyone down every single county road in its territory.¹²

36. The same article quotes Quadro's cost to lay fibre as being "anywhere from \$10,000 to \$20,000 a kilometer". In some cases, that includes several kilometres of fibre needed to reach a single customer.
37. Such investments are fundamentally uneconomic. So why do these companies do it? As John Alderman of Quadro put it, "There are areas and there are roads that make

¹⁰ Nathalie Gagnon, as quoted in CARTT.ca article, "THE INDEPENDENTS: Quebec's rural specialists – DeryTelecom", August 14, 2017.

¹¹ CARTT.ca article, "THE INDEPENDENTS: Fibre to every last farmhouse, barn and business", December 20, 2016.

¹² *Ibid.*



no economic sense to run the cable except there was a promise to all of our members to do it.”¹³

38. Another Ontario CCSA member company, Cable Cable, Inc., based in Fenelon Falls has made similar investment decisions. In 2016:

The company told [CRTC] commissioners during that hearing about a new extension of its fibre optic broadband network to a community of about 300 homes which is situated just under nine kilometres from its existing wired plant. Cable Cable currently fills gaps to communities like that with its fixed wireless network but would prefer fibre. Assuming normal take rates for services in this village, payback on investment will be about 12 years, the CCSA and Cable Cable’s CEO Mike Fiorini told commissioners, who didn’t quite seem to believe what they were hearing. At that time in the proceeding, they were talking about potential subsidies to get broadband to rural communities like this in Canada, even though this one is less than a two hour drive from Toronto.¹⁴

39. CARTT.ca’s editor added this note:

We had one executive from one of the big three carriers tell us, upon hearing about this exchange: “If someone came to a meeting of ours and proposed something like that, even anything further than five years for payback, they’d be laughed out of the room – or fired.”¹⁵

40. Many of these independent communications companies build and operate networks despite the lack of any solid economic case for doing so. They do that because they have a mission to provide services – however they can – to communities that desperately need those services.
41. With respect to the building and extension of the last-mile networks they create, they require access to funding to make the economic case work. As Cable Cable’s CEO put it, “Cable Cable currently has about eight small communities to which it plans to extend service with similar projects. An appropriate subsidy could greatly accelerate those projects.”¹⁶

¹³ John Alderman, *Ibid.*

¹⁴ CARTT.ca article, “THE INDEPENDENTS: Confounding commissioners (and others) for over 30 years”, June 1, 2017.

¹⁵ *Ibid.*

¹⁶ Michael Fiorini, *Ibid.*



42. The key here, as discussed above, is to ensure that the application processes and eligibility criteria do not foreclose the smaller, independent network operators from access to funding.

The Operational Challenge

43. The independent network operators provide TV, telephone and Internet services in many areas that, under the legacy telephone regulation, are known as “High-Cost Serving Areas”. Those are areas to which the existing National Contribution Fund directs contributions from the incumbent telephone companies in the form of subsidies for ongoing provision of telephone services. That is done because, without such subsidy, the services cannot economically be provided in the areas.
44. The operational challenges arise in a few key areas, including:
- the economics of operating and upgrading networks over long distances and, often, through rough terrain;
 - the limited availability and high cost of ongoing access to broadband transport capacity; and
 - the time and rapidly increasing cost of access to support structures such as hydro poles and conduit.
45. As a simple example, of the first type of challenge, Westman Communications, based in Brandon, Manitoba may have to send a technician on a six-hour wilderness drive to serve one of its more remote cable “headends”. Many CCSA member companies face this type of drain on time and cost every day.
46. To date, the federal funding initiatives have subsidized only direct capital outlay on building projects. However, it makes no sense to fund such projects unless the new networks are sustainable.
47. **Recommendation:** CCSA recommends that funding programs should recognize and, to the extent possible, defray the ongoing cost of network operation and upgrading in “high-cost serving areas”, just as the existing telecommunications subsidy supports ongoing provision of telephone service in such areas today.



48. Second, it is critical to ensure that the cost of backhaul or transport service is available to smaller last-mile network operators at reasonable, affordable rates. Even with subsidized capital support for last mile network builds, unavailability of backhaul or exorbitant pricing of that facility can still make a project unsupportable.
49. As an example, the incumbent telecommunications provider quoted CCSA member company South Island Cable in Port Renfrew, British Columbia \$29,000/month for 100 MB of capacity to serve approximately 300 proposed new customers. Only after the intervention of the BC government was the quote reduced to \$1,750/month, an amount that made the provision of higher speed service to those new customers feasible.¹⁷
50. CCSA's members are very pleased to see that ISED's "Connect to Innovate" program has been focused on the build-out of transport facilities to communities that, today, have no way to connect back to major broadband Points of Presence and on its requirement for open access to such facilities. That is the correct priority.
51. However, there is also a need to ensure affordable access to existing transport facilities by the last-mile network operators who rely on such access to extend their network to new communities and customers. Today, such access is not mandated. Neither are the wholesale rates for such access controlled. As a result, the incumbents can deny access and are free to charge the prices they like.
52. **Recommendation:** CCSA recommends that consideration be given to whether the CRTC's forbearance from regulation of terms for provision of transport services should be maintained. We submit that, to be effective, a federal broadband strategy must include regulation of such access and rates.
53. Only when access to transport facilities at reasonable rates is assured will smaller, independent network operators be able to extend their networks to serve new, low-density pockets of customers.
54. Third, we note alarming recent increases to the rates the provincial hydro utilities are permitted to charge for attachment to their poles and other structures. In

¹⁷ Canadian Cable Systems Alliance, Inc., "Telecom Notice of Consultation CRTC 2015-134 - Review of Basic Telecommunications Services: Initial Comments" July 14, 2015 at para. 39. In a similar example, Sayward Valley Cable, north of Campbell River, was initially informed by the incumbent that no excess capacity was available to meet their request for 100 MB of capacity. Subsequently the incumbent "discovered" there was capacity but it would cost \$11,500/month. And this was to serve only 260 customers. Obviously no business case could be made to upgrade the service at these rates. Again it took action by the provincial government through BC Networks and a subsidy to arrive at a reasonable rate, \$1800/month.



Ontario, the OEB has recently approved increases to the rates that the utilities can charge to attaching communications companies in the order of over 100%.¹⁸

55. We expect to see that trend spread across the country in the coming years. It is a trend that runs directly counter to government's objectives for its broadband funding programs. That is, at the same time government is funding capital network projects, the hydro utilities are being permitted to drain money away from the companies that will invest in local networks by charging higher rates for access to needed support structures.
56. For the smaller communications companies that serve low-density areas – where there are substantially more poles between customers than in urban areas – such increases have a disproportionate negative impact. They create a situation whereby, even with capital funding support, the increased operational costs may foreclose a smaller company's ability to build a sustainable network.
57. In its submission regarding the CRTC's proposed funding regime, Rogers made the following related recommendation:

Eligible costs should include both up-front costs and on-going costs. On-going costs should include pole attachment fees and related support structure costs.¹⁹
58. **Recommendation:** The costs of access support structures, such as hydro poles, should be recognized as operational costs eligible for subsidy under any broadband funding regime.

"De-Risking" Private Investment – Local Solutions Work

59. In its comments on the CRTC's proposed funding program, the Alberta Association of Municipal Districts and Counties ("AAMDC") said:

In Alberta, rural municipalities commonly partner with ISPs to co-develop broadband infrastructure. These agreements take many different forms, but in some cases municipalities take initial ownership of broadband infrastructure with ISPs purchasing operating rights. When the ISP develops the financial sustainability to

¹⁸ Recent OEB Rate decisions for Hydro One, Hydro Toronto and Hydro Ottawa have approved increases of average pole attachment rates from \$22 to \$45.

¹⁹ Rogers Communications Canada Inc., "Telecom Notice of Consultation CRTC 2017-112, Development of the Commission's Broadband Funding Regime, File No. 1011-NOC2017-0112, Comments of Rogers Communications Canada Inc.," June 28, 2017 [hereinafter Rogers] at para. 22.



take ownership of the asset, the municipality may sell to the ISP. One of the main reasons for this approach is that in rural Alberta, large ISPs with the financial capacity to pursue large capital projects are often not interested in rural areas because they see a greater return on investment in more densely populated urban areas. As a result, many small ISPs partner with rural municipalities in rural areas.²⁰

60. The British Columbia Broadband Association echoed those comments, as follows:

In general, the funding programs administered by Network BC, and by local governments such as Regional Districts, have been very effective in bringing service to un-connected areas. These levels of government have access to very accurate information about gaps in service coverage, and they are well equipped to follow up on service commitments made by funding recipients. The proposed funding mechanism should engage these local levels of government to ensure that service gaps are funded, and that the funding awards achieve the intended outcomes.

61. Those comments align with the experience of CCSA's member companies. Those companies are accustomed to working closely with the municipal authorities in the areas they serve. Cable Cable's Mike Fiorini notes that his company:

... works closely with the municipality because in many regions of Kawartha Lakes, Cable Cable is the lone fast fibre option. The company's network links the municipal offices, fire halls, arenas (at which it offers free Wi-Fi), recreation centres, water treatment plants, and other public works buildings. They just recently inked a new 10-year contract to service the municipality.²¹

62. Dery Telecom's Nathalie Gagnon says:

We work with municipalities, co-ops and small distributors. In 30 villages, we work with local co-ops to keep service running. ... They pay a fee, we give them our expertise and access to our equipment, and when there are technical issues we send out our technicians.²²

63. Ian Stevens, the current CEO of Execulink Telecom pointed out that:

We've got a low-density challenge in providing services that people are looking for . . . They're looking for big city services in rural Canada... they desperately want it.

²⁰ Alberta Association of Municipal Districts and Counties, "CRTC 2017-112: Development of the Commission's Broadband Funding Regime", June 12, 2017 at para. 30.

²¹ Michael Fiorini, as quoted in CARTT.ca article, "THE INDEPENDENTS: Confounding commissioners (and others) for over 30 years", June 1, 2017.

²² Nathalie Gagnon, as quoted in CARTT.ca article, "THE INDEPENDENTS: Quebec's rural specialists – DeryTelecom", August 14, 2017.



You talk to the customers, you talk to the local politicians, and they want those big city services.

64. The point here is that successful network build-out projects often are driven by local demand and are created by ISPs and local governments based on their intimate knowledge of the community's needs and their vision of the social and economic benefits that their own community can achieve with a solid broadband infrastructure.

65. The locally-driven models take many forms. In Olds, Alberta, the Olds Institute organized funding that resulted in the creation of CCSA member O-Net, a highly successful venture that delivers modern broadband networks and services to the Town of Olds and, more recently, has been extending that service into adjacent communities.

66. In Winkler, Manitoba, a city of 15,000:

The city, which grew by 18 per cent in the last census, is paying telecommunications firm Valley Fiber \$500,000 to hook up every civic building and donating about 1.5 acres to build the company a headquarters and data centre. The money will come from the city's reserve funds and will not mean a tax hike.

In return, the company will provide free installation for every house and building in Winkler not owned by the city.²³

67. In Winkler's case, the seed money being provided by the city is being used to attract further private and government investment in the project:

While Valley Fiber has the technology and has lined up investment partners, the project hinges on approval from the province's small business venture capital tax-credit program, where investments can earn a 45 per cent tax credit.²⁴

68. These models share the characteristics of being locally-driven, involving cooperation among local ISPs and governments and the simple fact that they work. We see the similar models in the "Intelligent Communities" projects that have grown in Canadian secondary market cities like Stratford Ontario, Fredericton NB and Surrey BC.

²³ Bill Redekop, "Winkler to have fastest Internet in country", in Winnipeg Free Press, March 7, 2017, accessed online at <https://www.winnipegfreepress.com/local/winkler-to-have-fastest-internet-in-country-415616004.html> on August 24, 2017.

²⁴ *Ibid.*



69. A key element of such initiatives is reliance on the expertise and resources of locally-based ISPs while, at the same time, “de-risking” those ISPs with an infusion of government funding and private investment. As in the Winkler example, often, the private investment will follow only once an initial public funding commitment has been made.
70. That “de-risking” is an essential element to getting such initiative off the ground. For the small ISPs, Cable Cable’s Fiorini explains, “there’s no capital available. Banks don’t like us.”²⁵
71. A highly effective way for governments to make funding dollars go far, then, is to think not in terms of national infrastructure funds with their complex eligibility criteria and application processes but, rather, to direct their resources to enabling local initiatives that require only a reasonable level of seed money to get them off the ground.
72. While the national funding mechanisms are needed, especially for long-haul transport facilities, the government programs should also be directed to supporting initiatives driven by local communities and ISPs.

Summary of Recommendations

1. Broadband service should be viewed as critical infrastructure that is at least as important as water, electricity and roads.
2. Funding programs should recognize and, to the extent possible, defray the ongoing cost of network operation and upgrading in “high-cost serving areas”, just as the existing telecommunications subsidy supports ongoing provision of telephone service in such areas today.
3. Solutions should be driven, developed and implemented at the local level using the knowledge, expertise and resources that best understand and can respond to local needs. Government programs should include support for initiatives driven by local communities and ISPs

²⁵ Michael Fiorini, as quoted in CARTT.ca article, “THE INDEPENDENTS: Confounding commissioners (and others) for over 30 years”, June 1, 2017



4. Governments should assist by helping to “de-risk” projects that local communities, ISPs and private investors seek to launch.
5. Funding programs should account for the reality that it is not only remote areas that require support: many sparsely-populated communities close to the major centres also require subsidized facilities.
6. Simplified application and reporting processes should be considered for small funding awards (for example, funding awards of under \$100,000 capital expense).
7. Government should consider a much simpler system of grants for worthwhile projects that can be performed under a given funding threshold.
8. Government should ensure that the cost of backhaul or transport service is available to smaller last-mile network operators at reasonable, affordable rates. Consideration should be given to whether the CRTC’s forbearance from regulation of terms for provision of transport services should be maintained.
9. The costs of access support structures, such as hydro poles, should be recognized as operational costs eligible for subsidy under any broadband funding regime.

Conclusion

73. Underpinning CCSA’s comments is the idea that broadband service must now be viewed as critical infrastructure that is at least as important as water, electricity and roads. As numerous “intelligent communities” examples illustrate, broadband infrastructure is a critical base upon which communities can innovate to improve the social and economic welfare of their citizens.
74. While, to date, most of the “intelligent communities” projects in Canada have been implemented in the major and secondary urban markets, there is no reason why similar approaches cannot work even in the smallest, most isolated communities.
75. Such projects have worked largely because they have been driven, developed and implemented at the local level using the motivation, knowledge, expertise and resources of local players that best understand and can respond to local needs.



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76. A key to enabling the success of such initiatives is to “de-risk” projects that local communities, ISPs and private investors seek to launch.
77. Finally, it is crucial that networks, once built, be sustainable. There must be ongoing support for network operation and upgrading where the local economics cannot justify the cost of network operations.

About the CCSA

78. The CCSA is an industry association and buying group that was created by its members to represent small and independent communications companies in Canada. Incorporated in 1993, it has grown from a dozen founding members to about 125 companies today. CCSA’s mission is to provide its members with “savings, service and simplicity”.
79. CCSA’s members include cable operators, telephone companies and pure Internet Protocol TV (IPTV) operators. They are also wireline and wireless-based Internet Service Providers (ISPs).
80. Almost all are smaller cable operators, telephone companies and ISPs that deliver television and communications services to citizens in secondary markets, small towns and rural and remote areas of the country. Thus, CCSA represents those companies that are at the front lines of serving Canadians in low-density areas.
81. Many of CCSA’s members are municipalities, community-owned cooperatives and First Nations. A fair number are actually volunteer organizations. As such, profit often is not their primary objective.
82. Rather, such organizations tend to have been created by their communities for the express purpose of delivering new or better television and communications services to those communities. That is, they were created to respond to a need shared by the community. Their mission is to meet that need.
83. Canadians in remote and low-density areas generally have fewer providers of telecommunications and broadcasting services. Where CCSA members provide services, often they are the only alternative to the big, vertically-integrated incumbent operators like Bell, Rogers, Shaw and Videotron.



CCSA

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Regulatory

84. CCSA members serve more than 1,500 communities across Canada from Newfoundland to British Columbia and Yukon and Nunavut in the north.

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