



Telecom Decision CRTC 2020-255

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Reference: Telecom Notice of Consultation 2019-191

Ottawa, 12 August 2020

Public record: 1011-NOC2019-0191

Broadband Fund – First call for applications – Introductory decision regarding project funding approvals

The Commission established the Broadband Fund to help close the digital divide and ensure that broadband Internet services are available to all Canadians. The first call for applications focused on northern communities, including those that are satellite-dependent, because the geographic and climate challenges to serving these communities are particularly great.

The Commission is allocating up to \$72.1 million towards improving broadband Internet access services in northern Manitoba, the Northwest Territories, and Yukon. The funding is for five projects that will target approximately 10,100 households in 51 rural and remote communities, the large majority of which are Indigenous.

Information on the funding awarded for each of the applications is available in the related decisions, which are being issued concurrently.

Background

1. In Telecom Regulatory Policy 2016-496, the Commission established the universal service objective, namely that Canadians, in urban areas as well as in rural and remote areas, have access to voice services and broadband Internet access services, on both fixed and mobile wireless networks.
2. To measure the successful achievement of this objective, the Commission established several criteria, including that Canadian residential and business fixed broadband Internet access service subscribers should be able to access speeds of at least 50 megabits per second (Mbps) download and 10 Mbps upload (50/10 Mbps), and to subscribe to a service offering with an unlimited data allowance. Furthermore, the Commission found that the latest generally deployed mobile wireless technology (currently long-term evolution [LTE]) should be available not only in Canadian homes and businesses, but on as many major transportation roads as possible in Canada.
3. In order to support the development of a telecommunications system that can provide Canadians with access to these basic telecommunications services, pursuant to subsection 46.5(1) of the *Telecommunications Act* (the Act), the Commission established the Broadband Fund. Monies for the Fund are collected from

contributions made by telecommunications service providers¹ whose total annual Canadian telecommunications services revenues amount to over \$10 million.

4. The objective of the Broadband Fund is to help achieve the universal service objective and close the gaps in connectivity in underserved areas by providing necessary financial support to projects that (i) will build or upgrade access and transport infrastructure for fixed and mobile wireless broadband Internet access services, and (ii) would not be financially viable without funding assistance.
5. In Telecom Regulatory Policy 2016-496, the Commission determined that for the first five years of the Broadband Fund, a maximum of \$750 million would be distributed as follows: no more than \$100 million in the first year, which would increase by \$25 million annually over the following four years to reach an annual cap of \$200 million. Further, the Commission stated that up to 10% of the total annual limit of the Fund (the satellite component of the Fund) would be allocated to projects in satellite-dependent communities² (hereafter, satellite-component projects) for the first five years of the Fund's operation.
6. The Commission stated in Telecom Regulatory Policy 2018-377 that it intended to conduct a review of the Broadband Fund to ensure that it is managed efficiently and is achieving its intended purpose. The incremental increases in the fourth and fifth years (a total of \$75 million) are contingent on the results of that review.
7. In Telecom Regulatory Policy 2018-377, the Commission addressed matters relating to the Broadband Fund, including its governance, its operating and accountability frameworks, and the criteria the Commission would use to evaluate proposed projects.
8. In Telecom Notice of Consultation 2019-191, the Commission issued a call for applications for funding from the Broadband Fund for projects that would serve satellite-dependent communities in any area of Canada or any eligible geographic area in the Northwest Territories, Nunavut, or Yukon (hereafter, Call 1). Call 1 focused on northern communities, including those that are satellite-dependent, because both the need for better service and the challenges to providing it are particularly great. Connecting the North requires overcoming significant costs, a lack of roads, harsh terrain, and short construction seasons.

¹ "Telecommunications service provider" is defined in subsection 2(1) of the Act. As set out in paragraph 88 of Decision 2000-745, telecommunications service providers include incumbent local exchange carriers, alternate providers of long distance services, competitive local exchange carriers, resellers, wireless service providers, international licensees, satellite service providers, Internet service providers, payphone providers, and data and private line service providers.

² For the purpose of the Broadband Fund, a satellite-dependent community is defined as a community that has no connection to terrestrially based telecommunications facilities for connection to the public switched telephone network and/or the Internet, and that relies on satellite transport to receive one or more telecommunications services.

9. The call for applications included an Application Guide, as well as maps that outlined the eligible geographic areas for Call 1.
10. In Call 1, the Commission announced its intention to launch a second call for applications that would be open to all types of projects in all eligible geographic areas (hereafter, Call 2). Call 2 was launched on 13 November 2019 and closed on 1 June 2020.

Application evaluation

11. In response to Call 1, the Commission received 15 applications.³
12. The Commission has considered the applications submitted as part of this proceeding in light of the eligibility and assessment criteria established in Telecom Regulatory Policy 2018-377 and listed in the Application Guide.
13. All the applications selected for funding satisfied each of the eligibility criteria. The funding recipients have complied with the rules governing (i) acceptable legal structure, experience, and financial capacity; (ii) the type and scope of the project; and (iii) the services to be offered. In addition, the funding recipients (i) demonstrated their ability to secure the amount of investment they committed to, and (ii) filed evidence that they had consulted or attempted to consult, either directly or through community representatives, with communities affected by the proposed project. Requirements regarding the scope of the projects and services to be offered were specific to the type of the proposed project, as set out below.
14. Successful funding recipients for transport projects demonstrated that they met the requirements
 - to build or upgrade infrastructure in eligible communities that are at least two kilometres away from a point of presence (PoP)⁴ with a minimum capacity of 1 gigabit per second (Gbps). Any new build must offer a minimum capacity of 1 Gbps, and any upgrade has to offer a minimum capacity of 10 Gbps; and
 - to provide wholesale and retail open access.
15. Successful funding recipients for access projects demonstrated that they met the requirements
 - to build or upgrade infrastructure in an eligible geographic area where there is at least one household, but where no household has access to broadband Internet access at download and upload speeds that meet the universal service objective.

³ In Telecom Regulatory Policy 2018-377, the Commission determined that applicants will be permitted to file their applications confidentially.

⁴ A PoP is a point in the network that connects the transport infrastructure to the local access infrastructure.

Access project applicants must offer broadband Internet access service at minimum speeds of 25/5 Mbps;⁵ and

- to include a list of various broadband Internet access service packages with rate, speed, and capacity levels that address different customer needs, including those of low-income households. These packages must be provided at rates that are identical to or lower than those offered by a facilities-based service provider in a major urban centre.

16. Successful funding recipients for satellite-component projects demonstrated that they met the requirements that

- the communities to be served meet the definition of satellite-dependent community;
- funding be for earth station and/or access infrastructure or to increase transport capacity, or both; and
- they include a list of various broadband Internet access packages at prices that are identical to or lower than those offered in Iqaluit, Nunavut, for reasonably comparable speeds and capacity.

17. Applications for areas entirely outside the geographic scope of Call 1 or that were incomplete were deemed ineligible for further consideration. If an applicant proposed to serve a location that included both eligible areas and areas that were no longer eligible due to service improvements, the application remained eligible, and the Commission took into account the reduction in scope in its assessment.

18. Applying the assessment criteria, the Commission identified the projects proposed by each of the successful recipients as high quality. In doing so, the Commission considered each criterion such that no one criterion in isolation determined whether the application was of high quality.

19. The assessment criteria included consideration of the technical merit of the project. This was to ensure that the project is efficient, sustainable, and likely to continue meeting the broadband service requirements of the underserved eligible geographic areas over the long term. The technical assessment took into account the project's feasibility (i.e. the appropriateness of the network technology and infrastructure); scalability (i.e. the technical ability to meet or exceed the universal service objective on the proposed infrastructure); sustainability (i.e. the short- and long-term viability of the chosen technology); and resiliency (i.e. the proposed network's capacity to maintain acceptable levels of service during network failures).

⁵ In Telecom Regulatory Policy 2018-377, the Commission stated that it expects that proposed projects that do not initially meet the universal service objective speeds of 50/10 Mbps will be scalable, meaning that speeds of 50/10 Mbps will be provided to the target community at a future date through capacity upgrades in the access or transport infrastructure.

20. In its financial assessment, the Commission examined the project's net present value and internal rate of return, as well as the business plan, including its risk assessment and risk mitigation plan. The Commission considered the potential financial success of the proposed project, as well as the project's long-term financial viability and sustainability. It also considered the extent to which the applicant had successfully secured funding from other sources, based on the percentage of the amount requested from the Broadband Fund compared to the total project costs.
21. The Commission also considered the quality of the applicant's consultations with affected communities and the level of demonstrated community support at the assessment stage.
22. As with the eligibility criteria, additional assessment criteria specifically applied to each category of projects. For transport projects, the Commission considered the level of improvement between the network capacity and interconnection service speeds that are currently offered in the eligible geographic area(s) and those offered as a result of the proposed project; the number of PoPs for wholesale and retail transport services offered along the proposed route; the presence, type, and number of anchor institutions to be served; the number of communities and households to be served; and the open access service offerings.
23. Assessment criteria for access projects included the number of households and businesses that would be served by the project, the proposed level of service, the cost per household, the retail service pricing and service packages that would be offered, and the current gap between the available service level and the universal service objective level.
24. In Telecom Regulatory Policy 2018-377, the Commission determined that it would implement a specific evaluation process for satellite-component projects on the basis that a number of criteria, such as scalability and speed, cannot be reasonably compared between the broadband Internet access service provided via terrestrial facilities and such services provided via satellite. Satellite-component projects were thus evaluated separately. The Commission based its assessment of those projects on their technical merit, their financial viability, the degree of community consultations and level of involvement, the level of funding from other sources, the current gap with respect to the availability of services at the universal service objective level, the proposed level of service, the cost per household, and the retail service pricing and offers.
25. Those criteria established a high threshold to help ensure that funded projects are likely to succeed, that is, that the recipients will build the funded infrastructure and provide broadband or mobile wireless services to Canadians and businesses in targeted underserved areas.

Selection of projects to be funded

26. As noted above, the Commission stated that up to 10% of the total annual amount of funding available will be allocated for projects to increase satellite transport capacity, infrastructure projects, and certain operational costs in satellite-dependent communities. The Commission considered applications to serve satellite-dependent communities separately from applications to the main component of the Broadband Fund, which would be used to build or improve terrestrial connections (hereafter, main-component projects).
27. In accordance with the approach set out in Telecom Regulatory Policy 2018-377 and the related Application Guide, when deciding which high-quality projects to select, the Commission, keeping in mind the telecommunications policy objectives set out in section 7 of the Act, considered not only whether individual projects would contribute to meeting the universal service objective, but also whether they would have a significant positive impact on Canadians.

Efficient use of funds

28. In Telecom Regulatory Policy 2018-377, the Commission determined that it would consider the efficient use of funds when selecting projects for funding. Efficient use entails consideration of the amount of funding required for each project, when such funding would be distributed, and the amount of funding available. Additionally, the Commission considered it appropriate to distribute funds in a manner that does not cause overlap between projects or overlap with alternative funding sources.
29. Given that Call 1 was limited in its geographic scope, and that the Commission had determined that it would initiate Call 2, which would encompass all eligible geographic areas in Canada, the Commission considered the amount of funding available for distribution for the first five years of the Broadband Fund and how much of the overall funding available in both the satellite and main components of the Fund should be allocated to Call 1 projects when selecting projects.

Special considerations

30. In Telecom Regulatory Policy 2018-377, the Commission determined that it may give special consideration to a number of factors. The Commission notes that none of these special considerations were determinative in this call for applications.
31. All projects approved for funding will serve Indigenous communities. Each of the main-component projects approved for funding included a transport component.
32. With respect to service to multiple areas of Canada, the intention of Call 1 was to focus on eligible areas in the Northwest Territories, Nunavut, and Yukon, and all satellite-dependent communities. Nonetheless, the Commission preferred not to give the majority of funding to one province or territory and wanted to ensure that projects resulting from Call 1 would serve various areas within the eligible regions. The projects selected for funding will serve two of the territories, as well as

satellite-dependent communities in Manitoba. Consideration of awarding funding to four satellite-component projects, including projects proposing to serve Nunavut, has been deferred. More details on the deferral of certain projects are included below.

Commission's analysis and determinations

33. In light of the above, the Commission has approved up to a total of \$55.4 million in funding from the main component of the Broadband Fund for two projects, and up to \$16.8 million in funding from the satellite component of the Fund for three projects.⁶ These approvals are subject to the terms and conditions set out in each funding decision. With these decisions, up to \$72.1 million⁷ will be allocated towards improving broadband Internet access services to approximately 10,100 households⁸ in 51 rural communities in northern Manitoba, the Northwest Territories, and Yukon, the large majority of which are Indigenous.
34. The two main-component projects will improve transport infrastructure and access services in the Northwest Territories and Yukon. Together, they will provide a significant improvement in service at a reasonable cost to over 8,300 households and bring those households to the speed and capacity in the universal service objective within two to three years.
35. Each of the satellite-component projects will significantly improve the level of service at a reasonable cost. Moreover, the infrastructure built will be a primary part of the communities' telecommunications services in the long term. Two of the projects will take a phased approach to implementation and will initially improve service, particularly monthly capacity, to 19 communities in the Northwest Territories and Yukon, and then bring their speed and capacity to the level of the universal service objective once low-earth orbit satellite transport service⁹ is commercially available. The third approved project is for operational funding to supplement the satellite capacity available to an existing network, given that federal government programs have already funded capital improvements to the network.
36. Details of the specific projects are included in individual decisions for each approved application. The individual decisions are issued concurrently with this decision.

Statement of work

37. To be eligible to receive funding, recipients must obtain approval from the Commission for their statement of work. This will ensure that the planned work will

⁶ See Telecom Decisions 2020-256, 2020-257, 2020-258, 2020-259, and 2020-260.

⁷ All figures have been rounded up. As a result, the total does not match the sum of the individual values.

⁸ Household numbers reflect total households in eligible communities or hexagons. Not all households may receive service as a result of these projects.

⁹ A low-earth orbit satellite transport network will use a series of satellites orbiting close to the Earth in a constellation, as opposed to current geostationary satellites, which follow a geostationary orbit at further distances from the Earth.

be undertaken to implement the project as described in the application and approved for funding by the Commission.

38. The statement of work must be submitted in the format provided by the Commission and include detailed information on the project plan, such as detailed project information (e.g. logical network diagrams, network descriptions, service designs, project sites, equipment details, specific costs, and an updated project budget). In addition, the project plan must set out a project implementation schedule, including project milestone dates that will include key construction and implementation dates to monitor the project's progress. Up-to-date project mapping must also be provided. Following approval of the statement of work, in order for the recipient to receive funding, any changes that materially affect the project to be delivered must be approved by the Commission.

Conclusion of Call 1

39. The Broadband Fund is a single fund from which all selected projects will be funded. Having two calls for applications enabled the Commission to proceed more efficiently and effectively in distributing funds to areas of great need, which it has done with the approval of the projects set out above.
40. The Commission has determined that it would be appropriate to defer consideration of four applications for funding from the satellite component of the Broadband Fund. The affected applicants will be notified directly.
41. The total amount requested in the four deferred applications exceeds the total funds available for the satellite component in both Call 1 and Call 2. Therefore, in allocating the remaining satellite-component funding, the Commission considers it important to take into account the amount of funding that may be required for satellite-component projects proposed in response to Call 2. By deferring consideration of these applications, the Commission will be able to better determine which projects would represent the most efficient use of the remaining funds for satellite-component projects. The Commission will prioritize consideration and release of its decisions regarding the allocation of any further funding for satellite-component projects.
42. Aside from the deferred applications, no other applications filed in response to Call 1 will be considered further and applicants not selected for funding will not receive individual notice. Accordingly, in the event that the recipients whose projects are approved in the individual decisions published concurrently with this decision are unable to accept funding as awarded or do not claim the entire amount they were awarded, such funding will be allocated to Call 2 or to future calls for funding.

Policy Directions

43. The 2006 Policy Direction¹⁰ and the 2019 Policy Direction¹¹ (collectively, the Policy Directions) state that the Commission, in exercising its powers and performing its duties under the Act, shall implement the telecommunications policy objectives set out in section 7 of the Act, in accordance with the considerations set out therein,¹² and should specify how its decisions can, as applicable, promote competition, affordability, consumer interests, and innovation.
44. The Commission considers that its decisions to approve funding from the Broadband Fund for the five projects identified in this introductory decision and described in detail in the accompanying decisions are consistent with the Policy Directions.
45. As discussed in each accompanying decision, there would be no business case for these projects without funding from the Broadband Fund. These initial Broadband Fund decisions to approve funding to upgrade broadband transport and Internet access services in 51 communities across northern Manitoba, the Northwest Territories, and Yukon will help to close the gap in connectivity in underserved areas. Funding these projects will enable approximately 10,100 households to access significantly improved Internet services, and thus respond to the social and economic needs of consumers. In so doing, the accompanying decisions will implement the telecommunications policy objectives, including those set out in paragraphs 7(a), (b), and (h) of the Act.¹³

Secretary General

¹⁰ *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, SOR/2006-355, 14 December 2006

¹¹ *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives to Promote Competition, Affordability, Consumer Interests and Innovation*, SOR/2019-227, 17 June 2019

¹² The relevant considerations are the following: subparagraph 1(a)(i) of the 2006 Policy Direction, which states that the Commission should rely on market forces to the maximum extent feasible as the means of achieving the telecommunications policy objectives, and paragraph 1(a) of the 2019 Policy Direction, which states that the Commission should consider how its decisions can promote competition, affordability, consumer interests and innovation.

¹³ The cited policy objectives are as follows: 7(a) to facilitate the orderly development throughout Canada of a telecommunications system that serves to safeguard, enrich and strengthen the social and economic fabric of Canada and its regions; (b) to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada; and (h) to respond to the economic and social requirements of users of telecommunications services.

Related documents

- *Broadband Fund – Project funding approval for Northwestel Inc.’s Yukon fibre project*, Telecom Decision CRTC 2020-260, 12 August 2020
- *Broadband Fund – Project funding approval for Northwestel Inc.’s Old Crow satellite project*, Telecom Decision CRTC 2020-259, 12 August 2020
- *Broadband Fund – Project funding approval for Northwestel Inc.’s Northwest Territories fibre project*, Telecom Decision CRTC 2020-258, 12 August 2020
- *Broadband Fund – Project funding approval for Northwestel Inc.’s Northwest Territories satellite project*, Telecom Decision CRTC 2020-257, 12 August 2020
- *Broadband Fund – Project funding approval for Broadband Communications North Inc.’s Manitoba satellite project*, Telecom Decision CRTC 2020-256, 12 August 2020
- *Broadband Fund – Call for applications*, Telecom Notice of Consultation CRTC 2019-191, 3 June 2019
- *Development of the Commission’s Broadband Fund*, Telecom Regulatory Policy CRTC 2018-377, 27 September 2018
- *Modern telecommunications services – The path forward for Canada’s digital economy*, Telecom Regulatory Policy CRTC 2016-496, 21 December 2016
- *Changes to the contribution regime*, Decision CRTC 2000-745, 30 November 2000