



Telecom Decision CRTC 2020-256

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Reference: Telecom Notice of Consultation 2019-191

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Broadband Fund – Project funding approval for Broadband Communications North Inc.’s Manitoba satellite project

*The Commission **approves** Broadband Communication North Inc.’s funding application for \$9.9 million to maintain and improve satellite capacity for Barren Lands, Lac Brochet, Pukatawagan, Shamattawa First Nation, and Tadoule Lake in northern Manitoba.*

Application

1. In response to the Commission’s first call for applications for funding from the Broadband Fund set out in Telecom Notice of Consultation 2019-191 (hereafter, Call 1), Broadband Communications North Inc. (BCN) filed an application, dated 3 October 2019, in which it requested \$9.9 million from the Broadband Fund to subsidize three years of operational costs for satellite Internet access in several communities in northern Manitoba. The funding will allow BCN to improve service to speeds of 10 megabits per second (Mbps) download and 1 Mbps upload (10/1 Mbps), with unlimited monthly capacity. In its original application, BCN requested funding for seven communities; however, two communities, St. Theresa Point First Nation and Wasagamack, are not eligible satellite-dependent communities because they have existing terrestrial connections via microwave link. The remaining five communities are eligible, and the project was assessed in relation to those communities alone. BCN also has a separate project underway to improve the infrastructure in these communities, with committed funding support from other government sources.

Commission’s analysis and determinations

2. In Telecom Regulatory Policy 2018-377, the Commission established the eligibility and assessment criteria for the Broadband Fund. In the introductory decision for Call 1, Telecom Decision 2020-255, the Commission provided background information and described the eligibility and assessment process and selection considerations used to assess and select projects to be funded. It should be read in conjunction with this decision.
3. BCN’s application met each of the eligibility criteria applicable to satellite projects.¹ Specifically, BCN, as a financially solvent Canadian carrier with more than three years’

¹ Specifically, the Commission used the eligibility criteria set out in sections 6.1.1(a) to (d) of the Application Guide, applicable to all applicants; in sections 6.1.2(a) to (c), applicable to all project types; and in sections 6.1.3(j) to (l), applicable to satellite-dependent community projects. Because the applicant did not comprise a partnership, joint venture, or consortium, criterion 6.1.1(e) did not apply.

experience deploying and operating broadband infrastructure in Canada, met each of the criteria for eligible applicants. BCN demonstrated that the project would not be financially viable without funding from the Broadband Fund and that the company will invest more than a nominal amount in the project. BCN provided evidence that it has consulted or attempted to consult with communities affected by the project, either directly or through community representatives. Finally, the project will serve eligible geographic areas and will meet the requirements for project type and affordability.

4. On the basis of its evaluation of the project against the assessment criteria applicable to projects serving satellite-dependent communities,² the Commission finds that BCN's project is of high quality and will achieve the goals of the Broadband Fund.
5. With regard to the assessment criteria, the Commission considers that the project is technically sound, given that, with the increase in C-band satellite capacity, the network is capable of delivering the proposed service.
6. BCN committed to offering fixed broadband Internet service packages, with the highest service level at 10/1 Mbps and unlimited monthly capacity. While the proposed speeds are lower than the universal service objective,³ they are a significant improvement over the service that is currently available and are comparable in price to plans that were available in the comparator city of Iqaluit, Nunavut, at the time the application was filed.
7. The Commission considers that BCN itself and the project are financially sound, and that the proposed costs are reasonable. The funding request is for operational funding only, given that the capital improvement portion of funding will be provided by BCN and other government sources. On the basis of its analysis of the business plan and financial information submitted, the Commission finds that, with the Broadband Fund contribution to the project, BCN has demonstrated a viable and sustainable business case for serving small, remote communities.
8. The Commission considers that BCN has made a significant commitment of its own funds and finds that the cost per household to the Broadband Fund is reasonable for the project.
9. BCN is a community-based service provider, governed by a board of directors that includes representatives from tribal councils, regional political organizations, and independent First Nations communities. BCN provided letters of support from the Keewatin Tribal Council and the Shamattawa First Nation, which together represent the majority of the eligible communities to be served.
10. In selecting this project for funding, the Commission concludes that the improvement in service to speeds of 10/1 Mbps and an unlimited capacity option will have a significant

² Specifically, the assessment criteria set out in sections 6.2.1(a) to (d) and sections 6.2.2(n) to (r) of the Application Guide.

³ In Telecom Regulatory Policy 2018-377, the Commission considered it inappropriate to expect proposed projects covering satellite-dependent communities to provide service at universal service objective targets at this time. No minimum service level was required for these projects to be eligible; however, the proposed level of service is an assessment criteria.

positive impact on the five communities encompassing approximately 899 households.⁴ In addition, the Commission concludes that allocating \$9.9 million represents an efficient use of the funding available from the satellite component of the Broadband Fund.

11. In light of all of the above, the Commission **approves**, to the extent and subject to the terms and conditions set out below, up to the following maximum amounts to be distributed to BCN from the Broadband Fund for the purposes of the project described above and as set out in the approved statement of work: \$9,850,000 to subsidize satellite operational costs. This approval is subject to the conditions that BCN
 - a) confirm in writing, within 10 days of the date of this decision, its intent to submit a statement of work package to the Commission and to proceed with the project; and
 - b) file for Commission approval, within **120 days** of the date of this decision, a completed statement of work package in the format provided by the Commission that includes key project and budget details.
12. If it receives any additional funding for the project from any source, BCN must notify the Commission in writing as soon as possible, and no later than **10 days** after receiving the funding. The Commission may proportionately reduce the amount of funding it has approved.
13. In order to receive funding, BCN must obtain Commission approval for (i) any material changes to the project, as set out in the approved statement of work; and (ii) any changes to BCN that would materially affect the legal or financial documents it provided during the application process.

Section 24 condition and funding conditions

14. In Telecom Regulatory Policy 2018-377, the Commission determined that it would impose a series of conditions (i) that must be met before it will release funding, and (ii) that ensure that the service to be provided meets the promised service levels. The Commission indicated that funding conditions would be set based on project timelines, reporting, auditing, and material changes. In addition, all existing regulatory obligations will continue to apply to the provision of funded services.⁵
15. The Commission may conduct periodic audits and require measurements of the project's performance to verify the compliance with the terms and conditions of funding. To that end, as a condition of offering and providing fixed broadband Internet access services, the Commission requires, pursuant to section 24 of the *Telecommunications Act* (the Act), that BCN (i) retain all books, accounts, and records of the project, including administrative, financial, and claim processes and procedures, and any other information necessary to ensure compliance with the funding conditions set out in this decision, for a period of eight

⁴ Household counts are calculated by the Commission based on proposed coverage information and [Pseudo-Household Demographic Distribution](#) data, which uses statistical models and census data to predict where households are located within eligible areas. Some households in an eligible community may not receive improved services as a result of the project.

⁵ Examples of existing regulatory obligations are set out in section 10.1 of the Application Guide.

years from the date the statement of work is filed; and (ii) provide the Commission with measurements of the performance of the service provided using methodology that the Commission may determine. The Commission may request that external auditors or a Commission-approved auditor certify any related report, form, or documentation, or that a third-party professional engineer certify any required measurements.

16. Following Commission approval of the statement of work, the Commission will direct the Canadian Telecommunications Contribution Consortium to release funds to BCN, provided that the company is in compliance with the following conditions:
 - a. BCN must offer and provide fixed broadband Internet access service packages to subscribers within the eligible communities served by the project at a rate no higher, and at speeds and with a capacity no lower, than the ones proposed in its application and described in the approved statement of work. It must publicize, including by publishing on its website, the packages offered to subscribers as a result of the project, including the service speeds, capacity, prices, and terms and conditions.
 - b. BCN must notify the Commission in writing as soon as possible and within **30 days** of any change to the planned dates of service coming into operation in any of the affected communities.
 - c. BCN must file with the Commission every **three months** a Broadband Fund claim form certified by its chief financial officer, or by an equivalent authorized official of BCN, along with supporting documentation demonstrating to the Commission's satisfaction that all satellite operational costs claimed were actually incurred and are eligible costs related to the services offered in the eligible communities served by the project.
 - d. With respect to eligible and ineligible costs, as described in Telecom Regulatory Policy 2018-377, BCN must
 - i. include eligible costs in a claim form submitted within **120 days** of the costs being incurred, unless the costs were incurred after the date of this decision but prior to the approval of the statement of work, in which case the costs must be claimed on the first claim form submitted after the approval of the statement of work.
 - ii. ensure that all goods and services are claimed for reimbursement at amounts not greater than fair market value after deducting all trade discounts and similar items. Only the fair market value of the goods and services acquired is eligible for reimbursement.
 - iii. measure and claim all goods and services received from related parties, as defined under [International Financial Reporting Standards](#), at cost, with no profits or markups from the supplier.

- e. BCN must not claim in excess of 25% of the approved amount for costs incurred after the date of this decision but prior to the approval of the statement of work.
- f. BCN must notify the Commission in writing as soon as possible and within no more than **five days** of becoming insolvent.
- g. BCN must file its annual financial statements with the Broadband Fund if requested by the Commission. The financial statements would accompany the next claim form filed after the annual financial statements are completed and approved.

Policy Directions

- 17. The 2006 Policy Direction⁶ and 2019 Policy Direction⁷ (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,⁸ and should specify how its decisions can, as applicable, promote competition, affordability, consumer interests, and innovation.
- 18. The Commission considers that its decision to approve funding from the Broadband Fund for the project described in detail in this decision is consistent with the Policy Directions.
- 19. This decision to approve funding to upgrade broadband Internet services in five communities in Manitoba will help to close the gap in connectivity in an underserved area. There would be no business case for the project without funding from the Broadband Fund. Funding the project will enable approximately 899 households to access significantly improved Internet services, and thus respond to the social and economic needs of consumers. In doing so, this decision will implement the telecommunications policy objectives, including those set out in paragraphs 7(a), (b), and (h) of the Act.⁹

Secretary General

⁶ *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, SOR/2006-355, 14 December 2006

⁷ *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

⁸ The relevant considerations are 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.

⁹ 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 – First call for applications – Introductory decision regarding project funding approvals*, Telecom Decision CRTC 2020-255, 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