



Telecom Decision CRTC 2021-43

PDF version

References: 2019-372, 2019-372-1, and 2019-372-2

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Broadband Fund – Second 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 second call for applications was open to all types of projects in all eligible geographic areas in Canada. Given the large number of applications it received and Canadians' immediate need for improved access to broadband infrastructure, the Commission will issue multiple rounds of decisions related to this call. The individual funding decisions that accompany this introductory decision represent the Commission's determinations on a subset of projects to build transport infrastructure.

In these decisions, the Commission is allocating up to \$26.7 million towards building over 550 kilometres of transport network to improve broadband connectivity in British Columbia, Ontario, and Saskatchewan. The funding is for five projects that will target 41 rural and remote communities representing more than 8,000 households, including three Indigenous communities and one official language minority community.

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

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. 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 that (ii) would not be financially viable without funding assistance.
4. 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. Monies for the Fund are collected from contributions made by telecommunications service providers¹ whose total annual Canadian telecommunications service revenues amount to over \$10 million.
5. In Telecom Regulatory Policy 2018-377, the Commission addressed matters related to the Broadband Fund, including its governance, its operating and accountability frameworks, and the criteria the Commission would use to evaluate proposed projects. It also stated that it intended to conduct a review of the Broadband Fund in the third year, 2022, 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.

Calls for applications

6. In Telecom Notice of Consultation 2019-191, the Commission issued its first call for applications for funding from the Broadband Fund (Call 1), focusing on northern communities. In Telecom Decision 2020-255, the Commission announced five funding decisions for projects from Call 1, allocating up to \$72.1 million towards improving broadband Internet access services in northern Manitoba, the Northwest Territories, and Yukon. In addition, the Commission deferred the consideration of four applications proposing to serve satellite-dependent communities.²

¹ “Telecommunications service provider” is defined in subsection 2(1) of the Act. As set out in 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.

7. In Telecom Notice of Consultation 2019-372, the Commission issued a second call for applications for funding from eligible applicants (hereafter, Call 2), for all types of projects proposing to serve all eligible geographic areas of the country. Call 2 included an Application Guide and closed on 1 June 2020.
8. In response to Call 2, the Commission received 586 valid applications.³ Given the volume of applications and the immediate need of Canadians for improved access to broadband infrastructure, the Commission will issue multiple rounds of decisions related to this call.
9. The applications discussed in the current decision and in the accompanying funding decisions are for transport projects, meaning that they would introduce or upgrade transport network capacity to one or more points of presence (PoPs),⁴ thereby enabling Internet connectivity for fixed and mobile infrastructure in underserved communities. While access services are needed to connect households to broadband infrastructure, transport services provide the network that enables access services, also known as last-mile services, to be provided. The Commission identified projects with a transport element as ones that would be prioritized as part of its selection considerations. Additional details regarding transport projects are provided in paragraph 25 below.
10. The projects discussed in this decision represent only a subset of all the applications for transport projects that the Commission received.

Application evaluation

11. 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.
12. All the applications selected for funding satisfied each of the eligibility criteria. The funding recipients have complied with the rules governing (i) their 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.

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.

13. 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 PoP 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 offer wholesale and retail open access.
14. 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.
15. The assessment criteria included consideration of the technical merit of each 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 of the project to meet or exceed the universal service objective using 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).
16. In its financial assessment, the Commission took into consideration the fact that the construction of transport infrastructure represents a long-term investment. A fibre transport network usually has an estimated useful life of 20 years or more, which would allow the applicant to generate a return on its investment over the entire life of the asset. A transport project will also enable underserved communities to have better access to services once access components are implemented or upgraded over time, which would translate into more revenue for the applicant in the future.
17. It is expected that transport-only projects will show a negative return over the short term. Therefore, the Commission, in addition to examining each proposed project's net present value, internal rate of return, and business plan (including its risk assessment and risk mitigation plan), also assessed other financial indicators, such as projected operating cash flows and net income, to confirm whether the project is likely to be financially viable and sustainable over the long term. Further, the Commission 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.
18. In addition, at the assessment stage, the Commission considered the quality of the applicant's consultations with affected communities and the level of demonstrated community support.

19. As with the eligibility criteria, additional assessment criteria specifically applied to each type of project. 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 new or upgraded PoPs for wholesale and retail transport services offered along the proposed route; the type and number of eligible anchor institutions proposed to be connected; the number of eligible communities to be connected and the number of households those communities represent; and the open access service offerings.
20. Those criteria established a high threshold to help ensure that funded transport projects are likely to succeed, that is, that the recipients will build the funded infrastructure and provide transport capacity to Canadians and businesses in targeted underserved areas.

Selection of projects to be funded

21. 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.
22. In Telecom Regulatory Policy 2018-377, the Commission determined that when selecting projects for funding, it will give special consideration to the efficient use of funds, and may give special consideration to a number of other factors, including the selection of projects in multiple regions of Canada, whether the communities affected by proposed projects are Indigenous or official language minority communities (OLMCs), and the type of project.
23. An assessment of the efficient use of funds includes 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.⁵ When selecting projects, the Commission also considered the amount of funding available for distribution for the first five years of the Broadband Fund. On the basis of all these considerations, the Commission concluded that funding the selected projects would be an efficient use of funds.
24. With respect to the regions and communities in Canada to be served, the projects selected for funding represent a diverse regional distribution, with projects located in provinces where the Commission has yet to provide funding: British Columbia, Ontario, and Saskatchewan. In addition, two of the projects involve building transport infrastructure to Indigenous communities, and one involves building to an OLMC.

⁵ Section 6.3.1 of the Application Guide states that if different high-quality projects cover the same eligible geographic area(s) or if public funding from another source is committed to a similar project, the Commission will distribute funding in a manner that does not cause overlap in projects or funding sources.

25. With respect to project type, the Commission determined in Telecom Regulatory Policy 2018-377 that it may give special consideration to transport infrastructure projects over fixed access or mobile wireless infrastructure projects. The intent of funding transport infrastructure is to bring high-capacity connectivity closer to underserved areas that have not yet been able to attract investment. With better transport infrastructure, greater competition can be stimulated in the region, given that other service providers can use the wholesale open access services to be provided on funded transport infrastructure to provide competitive access services in those areas. For these reasons, the Commission concluded that it should give priority to transport projects when making its funding decisions.

Commission's analysis and determinations

26. In light of the above, the Commission has approved up to a total of \$26.7 million in funding from the main component of the Broadband Fund for five transport projects serving areas in British Columbia, Ontario, and Saskatchewan.⁶ These approvals are subject to the terms and conditions set out in each funding decision. With these decisions, that funding will be allocated towards building over 550 kilometres of transport network in these regions, benefiting 41 communities, including three Indigenous communities and one OLMC, and providing improved transport connectivity for more than 8,000 households.⁷
27. All five projects will bring additional benefits to the communities that will receive better fixed broadband transport infrastructure. In some cases, the projects will improve broadband connectivity for an entire region, bringing potential future benefits to surrounding communities in those areas.
28. Details of the specific projects are included in individual decisions for each approved application, which are being issued concurrently with this decision. In the event that the recipients whose projects are approved in the individual decisions are unable to accept funding as awarded or do not claim the entire amount they were awarded, such funding will be reallocated to other projects submitted in Call 2 or in future calls for funding.

⁶ See Telecom Decisions 2021-44, 2021-45, 2021-46, 2021-47, and 2021-48.

⁷ Household numbers reflect the total number of households in eligible communities. Not all households will necessarily receive service as a result of these projects.

Statement of work

29. 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 be undertaken to implement the project as described in the application and approved for funding by the Commission.
30. 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.

Policy Directions

31. The 2006 Policy Direction⁸ and the 2019 Policy Direction⁹ (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,¹⁰ and should specify how its decisions can, as applicable, promote competition, affordability, consumer interests, and innovation.
32. The Commission considers that its determinations to approve funding from the Broadband Fund for the five projects identified in this introductory decision and described in detail in the accompanying funding decisions are consistent with the Policy Directions.

⁸ *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, SOR/2006-355, 14 December 2006

⁹ *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

¹⁰ 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.

33. As discussed in each accompanying funding decision, there would be no business case for these projects without funding from the Broadband Fund. These decisions to approve funding from the Broadband Fund in order to improve broadband transport connectivity for 41 communities across British Columbia, Ontario, and Saskatchewan will help to close the gap in connectivity in underserved areas. Funding these projects will potentially enable more than 8,000 households to access significantly improved Internet services, and thus respond to the social and economic needs of consumers. In so doing, the accompanying funding decisions will implement the telecommunications policy objectives, including those set out in paragraphs 7(a), (b), and (h) of the Act.¹¹

Secretary General

Related documents

- *Broadband Fund – Project funding approval for Rogers Communications Canada Inc.’s Ontario transport fibre project*, Telecom Decision CRTC 2021-48, 4 February 2021
- *Broadband Fund – Project funding approval for Tough Country Communications Ltd.’s British Columbia transport fibre project*, Telecom Decision CRTC 2021-47, 4 February 2021
- *Broadband Fund – Project funding approval for Columbia Basin Broadband Corporation’s British Columbia transport fibre project*, Telecom Decision CRTC 2021-46, 4 February 2021
- *Broadband Fund – Project funding approval for BH Telecom Corp.’s Saskatchewan transport fibre project*, Telecom Decision CRTC 2021-45, 4 February 2021
- *Broadband Fund – Project funding approval for Shaw Cablesystems G.P.’s British Columbia transport fibre project*, Telecom Decision CRTC 2021-44, 4 February 2021
- *Broadband Fund – First call for applications – Introductory decision regarding project funding approvals*, Telecom Decision CRTC 2020-255, 12 August 2020
- *Broadband Fund – Second call for applications*, Telecom Notice of Consultation CRTC 2019-372, 13 November 2019; as amended by Telecom Notices of Consultation CRTC 2019-372-1, 20 March 2020; and 2019-372-2, 27 April 2020
- *Broadband Fund – Call for applications*, Telecom Notice of Consultation CRTC 2019-191, 3 June 2019

¹¹ The cited policy objectives of the Act are 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.

- *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