



## Telecom Decision CRTC 2023-418

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References: 2022-325, 2022-325-1, and 2022-325-2

Ottawa, 20 December 2023

*Public record: 1011-NOC2022-0325*

### **Broadband Fund – Project funding approval for SSi Micro Ltd.’s satellite project in Nunavut**

#### **Summary**

Canadians need access to reliable, affordable, and high-quality Internet and cellphone services for every part of their daily lives.

Through its Broadband Fund, the Commission contributes to a broad effort by federal, provincial, and territorial governments to address the gap in connectivity in underserved rural, remote, and Indigenous communities across Canada.

In the first two calls for applications to the Broadband Fund, the Commission approved funding for projects that will improve access to high-speed Internet and cellphone services in 205 rural and remote communities, including 89 Indigenous communities. Building on this momentum, the Commission recently issued its third call for applications (Call 3).

Call 3 focused on transport projects, mobile wireless projects along major transportation roads, and projects to increase capacity in satellite-dependent communities.

Today, the Commission **approves** SSi Micro Ltd.’s funding application for up to \$26,843,533 to increase satellite transport capacity in all 25 communities in Nunavut, which encompass approximately 11,400 households. This funding will be used to quickly bring affordable and reliable Internet to these communities. This project is the first major milestone in supporting improved telecommunications services in Nunavut. The communities will be able to access the 50/10 Megabits per second speeds of the universal service objective for the first time.

In accordance with the increased emphasis on meaningful community consultation in Call 3, the Commission placed significant weight on the many letters of support that were provided for this project. In these letters, community representatives highlighted the significant positive impact that the project will have on residents and businesses. The Commission heard that better access to high-speed Internet will help create new economic development and job opportunities, preserve Inuit culture and language, and improve access to education, healthcare, and other government services.

The Commission acknowledges the continued importance of building fibre infrastructure in Nunavut. Given the significant operational requirements associated with bringing fibre to the region, additional financial investment and time will be required to accomplish this. The expedited timeline for implementing this project, which will quickly provide significant improvements to existing telecommunications services in Nunavut, was a key factor in the Commission's decision.

Approval of this project furthers the Commission's commitment to advance reconciliation with Indigenous Peoples as it continues its efforts to help connect all Canadians.

## **Background**

1. In Telecom Regulatory Policy 2016-496, the Commission established the universal service objective. This objective recognizes that all Canadians should have access to cellphone and Internet services on both fixed and mobile wireless networks.
2. To measure progress towards this objective, the Commission established several criteria, including that Canadians using Internet services should be able to (i) access speeds of at least 50 megabits per second (Mbps) download and 10 Mbps upload (50/10 Mbps); and (ii) 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 also on as many major transportation roads as possible in Canada.
3. To support the development of a telecommunications system that can provide Canadians with access to these basic telecommunications services, the Commission established the Broadband Fund pursuant to subsection 46.5(1) of the *Telecommunications Act* (the Act). The objective of the Broadband Fund is to help achieve the universal service objective and close the gaps in connectivity in rural, remote and Indigenous communities across Canada. It does this by providing 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.
4. The Commission established the Broadband Fund with \$100 million in funding for the first year, rising to \$150 million by the third year through annual \$25 million increases, with future incremental increases to be contingent on a review of the Broadband Fund policy in 2023. In Telecom Notice of Consultation 2023-89, the Commission initiated that review, and decided to maintain an annual cap of \$150 million for distribution until the conclusion of the review.
5. In Telecom Regulatory Policy 2018-377, the Commission established the criteria for evaluating proposed Broadband Fund projects and addressed matters relating to the Broadband Fund's governance, operating, and accountability frameworks.

### **Third call for applications**

6. In Telecom Notice of Consultation 2022-325, the Commission issued the third call for applications (Call 3) for funding for certain types of projects proposing to serve any eligible area of Canada. The types of eligible projects include (i) transport infrastructure projects, (ii) mobile wireless infrastructure projects, and (iii) projects requiring operational funding to increase satellite transport capacity and to improve broadband Internet access service in satellite-dependent communities. Call 3 closed on 15 June 2023.
7. The Commission noted in Telecom Notice of Consultation 2022-325 that during the assessment phase of applications for Call 3, it would be placing increased emphasis on meaningful consultation with each community affected by a proposed project and on resiliency (i.e. the proposed network's capacity to maintain acceptable levels of service during network failures).
8. In response to Call 3, the Commission received 105 applications. The Commission is issuing multiple decisions related to this call in order to expedite the funding approval process and address the immediate need of Canadians for improved access to broadband infrastructure.

### **Application**

9. SSi Micro Ltd. (SSi) filed an application in response to Call 3 in which it requested \$26,843,533 from the Broadband Fund to implement a satellite-dependent community project (satellite project) to provide improved broadband Internet service in Nunavut.<sup>1</sup>
10. This project will bring Internet service that achieves the 50/10 Mbps speeds of the universal service objective to all 25 communities in Nunavut for the first time. These communities are Arctic Bay (Ikpiarjuk), Arviat, Baker Lake (Qamani'tuuq), Cambridge Bay (Iqaluktuuttiaq), Chesterfield Inlet (Igluigaarjuk), Clyde River (Kangiqtugaapik), Coral Harbour (Salliq), Gjoa Haven (Usqsuqtuuq), Grise Fiord (Ausuittuq), Igloodik (Iglulik), Iqaluit, Kimmirut, Kinngait, Kugaaruk, Kugluktuk, Naujaat, Pangnirtung, Pond Inlet (Mittimatalik), Qikiqtarjuaq, Rankin Inlet (Kangiqtiniq), Resolute Bay (Qausuittuq), Sanikiluaq, Sanirajak, Taloyoak, and Whale Cove (Tikirarjuaq).

### **Commission's analysis**

11. The evaluation of applications for funding from the Broadband Fund takes place in three stages. First, the Commission considers whether an application meets certain

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<sup>1</sup> The content of the application was designated confidential pursuant to section 39 of the Act, but certain details are being disclosed in this decision, consistent with section 11 – Confidentiality of the Application Guide, set out in the Appendix to Telecom Notice of Consultation 2022-325, and as agreed to by the applicant. Other elements of the application remain confidential but were considered when the Commission evaluated the application.

eligibility criteria; applications that do not meet these eligibility criteria will not be considered further. Second, the Commission evaluates proposed projects based on certain assessment criteria to identify a set of selectable projects. Third, from the set of selectable projects identified, the Commission selects projects for funding based on certain project selection considerations. These eligibility, assessment and selection consideration criteria were established in Telecom Regulatory Policy 2018-377 and are listed in the Application Guide.

12. The Commission has considered SSi's application in light of the eligibility, assessment and selection consideration criteria applicable to all applicants and project types, as well as the eligibility and assessment criteria applicable to satellite projects.<sup>2</sup>

### **Eligibility criteria**

13. For a project to be considered for funding, applicants must clearly demonstrate, with supporting evidence, how their applications meet the eligibility criteria regarding applicant types, the eligibility criteria applicable to all project types, and the eligibility criteria applicable to specific project types.<sup>3</sup>
14. With respect to applicant type, applicants must demonstrate that they meet the requirements set out in the Application Guide regarding their acceptable legal structure, experience and financial solvency. The Commission considers that SSi has demonstrated that it meets these requirements.
15. With respect to eligibility criteria applicable to all project types, applicants must demonstrate that each of the following is met: (i) project viability (i.e. that without funding from the Broadband Fund, the proposed project would not be financially viable), (ii) applicant investment (i.e. the applicant's ability to secure the amount of investment it has committed to), and (iii) community consultation (i.e. that the applicant has consulted or attempted to consult with communities affected by the project, either directly or through community representatives). The Commission considers that SSi has demonstrated that it meets all of these requirements.
16. Finally, applicants must also demonstrate that they meet certain criteria applicable to specific project types. The eligibility criteria for satellite projects include (i) geographic eligibility (i.e. that the communities to be served meet the definition of a satellite-dependent community), (ii) project type (in the case of SSi's project, that the funding will be used to increase satellite transport capacity), and (iii) affordability (i.e. that the applicant is committed to offering Internet service packages at prices that

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<sup>2</sup> For projects to increase satellite transport capacity, certain criteria such as scalability, the efficient use of funds and speeds cannot be reasonably compared between the broadband Internet access service provided via terrestrial facilities (e.g., fibre) and that provided via satellite, due to the distances involved and the characteristics of satellite technology.

<sup>3</sup> 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 projects.

are the same or lower than those that are offered in Iqaluit, Nunavut, for reasonably comparable speeds and capacity). The Commission considers that SSi has demonstrated that it meets all of the requirements specific to satellite projects.

### **Assessment criteria**

17. Once a project is identified as having met the eligibility criteria, it is further analyzed under certain assessment criteria applicable to all project types and criteria applicable to specific project types.<sup>4</sup> When applying the assessment criteria, each criterion receives due consideration so that no one criterion in isolation determines whether an application is viewed to be selectable. In Call 3, however, the Commission is placing increased emphasis on certain criteria (as outlined in paragraph 7 of this decision).
18. The assessment criteria applicable to all project types include (i) the technical merit of a project, (ii) the financial viability of a project, (iii) the level of funding from other sources, and (iv) community consultation and level of involvement. These criteria establish a high threshold to help ensure that the funded project is viable (in the present case, that SSi will bring Internet service that meets the universal service objective-level speeds to all communities in Nunavut).
19. In assessing the technical merit of a project, the Commission takes 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). Based on these factors, the Commission finds that SSi's project is technically sound and capable of delivering speeds consistent with the universal service objective. The proposed project is also capable of delivering the envisioned service and is scalable and resilient. In addition, the project will implement widely adopted and supported technologies with good long-term sustainability.
20. In assessing the financial viability of a project, the Commission examines the project's net present value, internal rate of return, and business plan, including the risk assessment and risk mitigation plan. The Commission also considers the potential financial success of the proposed project, as well as the project's long-term financial viability and sustainability. The Commission finds SSi's project to be financially sound and the proposed project costs to be reasonable.
21. With respect to the level of funding from other sources, the Commission considers that SSi has made a significant commitment of its own funds to the project and finds that the cost per household to the Broadband Fund is reasonable for the project.

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<sup>4</sup> The assessment criteria set out in the Application Guide in sections 6.2.1(a) to (d) apply to all project types, and those set out in sections 6.2.2(n) to (r) apply to satellite projects specifically.

22. In Call 3, the Commission placed an increased emphasis on meaningful consultation with affected communities. As a result, in the assessment of SSI's project, significant weight was accorded to the evidence of meaningful engagement. The Commission considered the extent of SSI's consultations with affected communities and the level of demonstrated community support at the assessment stage.
23. SSI provided evidence of direct notification to all affected communities and provided letters of support from the hamlets of Arviat, Gjoa Haven (Usqsuqtuuq), Kugaaruk (in the form of a Council Resolution), Pond Inlet (Mittimatalik), and Whale Cove (Tikirarjuaq); the municipalities of Baker Lake (Qamani'tuuq) and Kimmirut; the Nunavut Association of Municipalities, a non-governmental organization that supports and speaks as a unified voice for 25 municipalities across Nunavut; and the three Regional Inuit Associations: the Kitikmeot Inuit Association, Kivalliq Inuit Association, and Qikiqtani Inuit Association. Evidence of support also came from individuals, small businesses, local interest groups and associations, members of chambers of commerce, and education service providers.
24. These letters of support highlighted many positive benefits of the project for residents and businesses in the territory. Many expressed "wholehearted support" for the project and noted that affordable and reliable broadband Internet service is essential for jobs and economic development opportunities. Additionally, the letters highlighted the impact of high-quality, reliable Internet on advancing a community's social and cultural goals, including the preservation of Inuit culture and language. Access to high-speed Internet was described as a "critical tool for education" to which all children in Canada deserve to have access. The letters also stressed the importance of high-speed Internet for accessing virtual health care, which is especially important in a region where long distances and harsh weather can impede access to health clinics. Finally, the letters emphasize that affordable and high-quality Internet services are necessary for accessing government services and participating, more broadly, in the digital economy.
25. Finally, as with the eligibility criteria, certain assessment criteria apply to specific types of projects. The assessment criteria for satellite projects include (i) the current gap with respect to the availability of universal service objective-level services (i.e. how far the broadband services that are currently offered in the eligible satellite-dependent community are from the universal service objective), (ii) the proposed level of service (i.e. the level of broadband Internet access service to be offered to customers with the increased satellite transport capacity), (iii) the cost per household (i.e. how low the overall Broadband Fund cost would be per household to be served in the eligible geographic area), and (iv) retail service pricing and offers (i.e. what the monthly prices would be for subscribers and how varied the Internet service package options would be compared to those offered in Iqaluit, Nunavut).
26. On the basis of its evaluation of SSI's project against the assessment criteria, including the specific criteria applicable to satellite projects, the Commission finds SSI's project to be selectable.

## **Selection considerations**

27. Once a set of selectable projects has been identified based on the eligibility and assessment criteria, the Commission selects a subset of projects for funding. In deciding between selectable projects, the Commission considers whether individual projects will contribute to meeting the universal service objective and whether they will have a significant positive impact on Canadians. This approach is in accordance with the one set out in Telecom Regulatory Policy 2018-377 and the related Application Guide and takes into account the telecommunications policy objectives set out in section 7 of the Act.
28. The selection considerations set out in the Application Guide include the efficient use of funds, the type of project, and whether the communities affected by proposed projects are Indigenous or official language minority communities.<sup>5</sup>
29. With respect to the efficient use of funds, the Commission considers the amount of funding required for a project, when such funding would be distributed, and the amount of funding currently available for distribution from the Broadband Fund. When selecting projects, the Commission also considers whether the distribution of funds would cause overlap between projects or overlap with alternative funding sources.<sup>6</sup> On the basis of these considerations, the Commission is of the view that funding SSi's project is an efficient use of funds.
30. With respect to project type, 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 such as SSi's 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, such as fibre.
31. When selecting projects for funding, the Commission may give special consideration to whether the communities affected by proposed projects are Indigenous communities or official language minority communities. SSi's project will benefit 25 Indigenous communities, one of which is an official language minority community.

## **Conclusion**

32. The Commission finds that SSi's project (i) is consistent with the universal service objective by providing broadband Internet satellite services with speeds of 50/10 Mbps, and (ii) will have a significant positive impact on the communities to be served, which encompass approximately 11,400 households.

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<sup>5</sup> The selection considerations are set out in sections 6.3 to 6.3.4 of the Application Guide.

<sup>6</sup> Section 6.3.1 of the Application Guide states that if different selectable 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.

33. In light of the above, the Commission **approves**, to the extent and subject to the directions and conditions set out below, up to a maximum of \$26,843,533 from the Broadband Fund to be distributed to SSI for the purpose of the satellite project described above and as set out in the approved statement of work.
34. The Commission considers that approval of this project is consistent with its commitment to advance reconciliation with Indigenous Peoples, as it continues its efforts to help connect all Canadians.

### **Statement of work**

35. To be eligible to receive funding, the recipient must obtain approval from the Commission for its 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.
36. 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.

### **Directions**

37. The Commission's approval is subject to the conditions that the recipient
- (a) confirm in writing, within **10 days**<sup>7</sup> 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, by **6 May 2024**, a completed statement of work package in the format provided by the Commission, which includes accompanying workbooks that set out the project budget, key project dates and schedules, and detailed project information, such as logical network diagrams, network descriptions, service designs, project sites, equipment details, maps, specific costs, and milestones.

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<sup>7</sup> For the computation of all time periods set out in this decision, as indicated in section 12 of the [Canadian Radio-television and Telecommunications Commission Rules of Practice and Procedure](#), the period beginning on 21 December in one year and ending on 7 January in the following year must not be included.



38. As set out in the Application Guide, the recipient may not apply for reimbursement of its costs until its statement of work for each project has been approved by the Commission. Any eligible costs incurred prior to Commission approval of the recipient's statement of work but following the issuance of this decision are at the recipient's risk and will not be reimbursed if the statement of work is not approved.
39. In order for the Central Fund Administrator to be able to distribute funding, the recipient must sign the National Contribution Fund Administration Agreement if it has not already done so.
40. The recipient may not apply for reimbursement of, and funding will not be issued for, ineligible expenses, expenses that have yet to be incurred, or expenses that are not related to the activities described in the statement of work as approved by the Commission.
41. Should the recipient fail to demonstrate during the statement of work development phase that the project has adequately considered cyber security, it will be required to mitigate the cyber security risk to the Commission's satisfaction. Failure to propose a mitigation plan that is satisfactory to the Commission could result in the refusal to approve the statement of work.

### **Conditions of funding**

42. Following Commission approval of the statement of work, the Commission will direct the Central Fund Administrator to release funds to the recipient, provided that the recipient is in compliance with the following conditions:
  - (a) The recipient must file with the Commission every **three months** a Broadband Fund claim form signed by its chief financial officer, or by an equivalent authorized official of the recipient, certifying that all costs claimed were actually incurred and paid, and are eligible costs related to the activities described in the statement of work, along with such supporting documentation as is requested by the Commission. For projects that increase satellite transport capacity (operational costs) in satellite-dependent communities, the recipient must also demonstrate to the Commission's satisfaction that broadband services are being provided in accordance with the conditions of service established in the decision and described in the approved statement of work. Further supporting documentation may be requested by the Commission. Unless the claim form is only for operational costs related to satellite capacity, each claim form must be accompanied by a progress report.
  - (b) With respect to eligible and ineligible costs, as described in Telecom Regulatory Policy 2018-377, the recipient 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.
- (c) In order to receive funding, the recipient 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 the recipient that would materially affect the legal or financial documents it provided during the application process.
- (d) The recipient (including each member of a recipient partnership, joint venture, or consortium) must notify the Commission in writing as soon as possible and within no more than **five days** of becoming insolvent.
- (e) If it receives any additional funding for the project from any source, the recipient must notify the Commission in writing as soon as possible and no later than **10 days** after receiving confirmation of the funding. The Commission may proportionately reduce the amount of funding it has approved.
- (f) The recipient must not claim in excess of 25% of the approved amount for costs incurred after the date of the decision but prior to the approval of the statement of work unless otherwise approved by the Commission.
- (g) The recipient must ensure that its travel costs, such as meal per diems, comply with the [National Joint Council Travel Directive](#).
- (h) Where a risk of adverse impact on an Aboriginal or treaty right becomes known and a duty to consult exists, the recipient must advise the Commission within **20 days** and submit a plan detailing the form and process for fulfilment of the duty. Release of any additional funding will be contingent on demonstration that any necessary consultations were held to the Crown's satisfaction.
- (i) The recipient (including each member of a recipient partnership, joint venture, or consortium) must file its annual financial statements with the Commission upon request. The financial statements would accompany the next progress report filed after the annual financial statements are completed and approved.

## Section 24 conditions

43. In Telecom Regulatory Policy 2018-377, the Commission determined that it would impose, pursuant to section 24 of the Act, certain conditions regarding the offering and provision of broadband services using facilities funded through the Broadband

Fund that would apply once the infrastructure is built. These conditions relate to the speeds and capacity of broadband services provided and the level of retail pricing, reporting, and associated open access service offerings. The conditions imposed on the offering and provision of broadband services will apply to the recipient and to any other Canadian carrier operating the funded infrastructure.

44. The Commission may conduct periodic audits and require measurements of the project's performance to verify compliance with the conditions of funding and the conditions imposed pursuant to section 24 of the Act on the provision of services using the funded infrastructure. To that end, as a condition of offering and providing telecommunications services using the funded infrastructure, the Commission requires, pursuant to section 24 of the Act, that the recipient, or any Canadian carrier operating the funded infrastructure, (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 terms and conditions of the decision, for a period of **eight years** from the project start date; and (ii) provide the Commission with measurements of the performance of each of the recipient's implemented projects within **five years** of the project's completion date 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.
45. In addition, pursuant to section 24 of the Act, as a condition of offering and providing telecommunications services using the funded infrastructure, the recipient, or any Canadian carrier operating the funded infrastructure on behalf of the recipient, 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 for the duration of the funding. 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.

Secretary General

### Related documents

- *Call for comments – Broadband Fund policy review*, Telecom Notice of Consultation CRTC 2023-89, 23 March 2023; as amended by Telecom Notice of Consultation CRTC 2023-89-1, 17 April 2023
- *Broadband Fund – Third call for applications*, Telecom Notice of Consultation CRTC 2022-325, 30 November 2022; as amended by Telecom Notices of Consultation CRTC 2022-325-1, 13 March 2023; and 2022-325-2, 15 May 2023

- *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