



## Telecom Decision CRTC 2024-163

PDF version

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

Ottawa, 22 July 2024

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### **Broadband Fund – Project funding approval for the Kativik Regional Government’s transport fibre project in northern Quebec**

#### **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.

Today, the Commission approves the Kativik Regional Government’s (KRG) funding application for up to \$79,419,117 to build 933 kilometres of transport fibre infrastructure to connect five Inuit communities in northern Quebec, all of which are official language minority communities. This project is the third and final phase of the KRG’s Eastern Arctic Underwater Fibre Optic Network. Completion of the third phase will create a fibre ring around the Nunavik region and connect all Kativik communities. As a result, these communities will benefit from faster and more reliable Internet services. This project will also provide high-speed Internet connections to 42 essential institutions, such as schools and health care centres.

In accordance with the increased emphasis on meaningful community consultation in its third call for applications, the Commission considered the level of demonstrated community support for this application. The KRG consulted the affected communities and received a letter of support from the Makivvik Corporation (the legal representative for the Inuit in Nunavik) for the project. The letter emphasized the positive impact that this project would have for the communities, including improving public safety, connecting friends and family, and enhancing businesses’ reach.

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 launched 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.
6. The Commission has launched three calls for funding applications to the Broadband Fund to date. In the first two calls for applications, 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 issued a third call for applications (Call 3) in November 2022.

## Call 3

7. In Telecom Notice of Consultation 2022-325, the Commission issued 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.

8. 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).
9. In response to Call 3, the Commission received 105 applications. The Commission is issuing multiple decisions related to this call to expedite the funding approval process to address the immediate need of Canadians for improved access to broadband infrastructure.

## **Application**

10. The Kativik Regional Government (KRG) filed an application in response to Call 3 requesting \$79,419,117 from the Broadband Fund to build primarily undersea fibre transport infrastructure and five new points of presence (PoPs)<sup>1</sup> in northern Quebec. This project will serve five Inuit communities in northern Quebec, encompassing approximately 707 households: Aupaluk, Kangiqsualujjuaq, Kangirsuk, Quaqtuaq, and Tasiujaq.<sup>2</sup> It will also directly connect 42 anchor institutions, such as schools and health care centres.<sup>3</sup> Once the fibre connection is in place, other projects will be able to use it as a starting point to offer service to homes and businesses in these communities.
11. The KRG's project will complete a fibre ring around the entire Nunavik region, linking all of its communities. These communities will benefit from a high-capacity terrestrial connection that will enable faster, more reliable, and more resilient Internet services and reduce the communities' reliance on satellite technology.

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<sup>1</sup> A PoP is a point in the network that connects the transport infrastructure to the local access infrastructure.

<sup>2</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.

<sup>3</sup> Anchor institutions are facilities that provide a public service (e.g., schools, medical facilities, libraries, community halls, First Nations offices, or other institutions around which a community is formed) and capacity for other uses (including residential, business, and/or mobile services) for which broadband services would benefit the community as a whole.

## **Commission's analysis**

12. The evaluation of applications for funding from the Broadband Fund takes place in three stages. First, the Commission considers whether an application meets certain eligibility criteria; applications that do not meet the criteria will not be considered. 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.
13. The Commission has considered the KRG'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 transport projects.

## **Eligibility criteria**

14. 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>4</sup>
15. 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. Paragraph 6.1.1(c) of the Application Guide sets out that as a regional government, the KRG is exempt from the financial solvency criteria. The Commission considers that the KRG has demonstrated that it meets the other requirements.
16. 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 the KRG has demonstrated that it meets all of these requirements.
17. Finally, applicants must demonstrate that they meet certain criteria applicable to specific project types. The eligibility criteria for transport projects are (i) geographic

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<sup>4</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(a) to (c), applicable to transport projects.

eligibility (i.e., that the project involves building or upgrading infrastructure to an eligible community that is at least two kilometres away from a PoP with a minimum capacity of 1 gigabit per second [Gbps]); (ii) minimum capacity (i.e., that the project will offer a minimum capacity of 1 Gbps for any new builds and 10 Gbps for any upgraded transport infrastructure); and (iii) open access (i.e., that the applicant commits to offering wholesale and retail open access to transport infrastructure).

18. The Commission considers that the KRG has demonstrated that it meets all of the requirements specific to transport projects.

### **Assessment criteria**

19. 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>5</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 8 of this decision).
20. 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 the KRG will build 933 kilometres of fibre transport infrastructure to provide five Inuit communities in northern Quebec with reliable, high-speed Internet services).

### **Technical merit**

21. 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).
22. Based on these factors, the Commission finds that the KRG'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.

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<sup>5</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(a) to (e) apply to transport projects specifically.

### **Financial viability**

23. 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 the KRG's project to be financially sound and the proposed project costs to be reasonable.

### **Funding from other sources**

24. With respect to the level of funding from other sources, the Commission considers that the KRG has secured third-party funding and has made a commitment of its own funds to the project, and finds that the cost is reasonable for the project.

### **Consultation with affected communities**

25. In Call 3, the Commission placed an increased emphasis on meaningful consultation with affected communities. As a result, in the assessment of the KRG's project, significant weight was accorded to the evidence of meaningful engagement. The Commission considered the extent of the KRG's consultations with affected communities and the level of demonstrated community support at the assessment stage.

26. The KRG provided a letter of support from the Makivvik Corporation, which is the legal representative for the Inuit in Nunavik. The letter emphasized the positive impact that this project would have for the communities, including improving public safety, connecting friends and family, and enhancing businesses' reach. The KRG also provided evidence of direct, in-person consultation with all of the affected communities. Additionally, each of the affected communities has an elected representative on the KRG's Regional Council and is involved in the project and decision making.

27. The KRG also received letters of support from the following entities that will be directly affected by the proposed project: Air Inuit, the Kativik Municipal Housing Bureau,<sup>6</sup> the KRG Executive Committee (a subset of the KRG's Council), the Nunavik Regional Board of Health and Social Services, the affected community of Quaqtaq, and the Qiniqtiq Landholding Corporation of Kangiqsualujjuaq. Furthermore, the following groups that will not be directly affected by the project provided their support, as evidence of the project's resiliency benefits: the Government of Nunavut, the Inuulitsivik Health Center, the Northern Village of Kuujjuaq, and the Ungava Tulattavik Health Center of Kuujjuaq.

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<sup>6</sup> The Kativik Municipal Housing Bureau changed its name in December 2023, and now operates as the Nunavik Housing Bureau.

### **Specific criteria for transport projects**

28. Finally, as with the eligibility criteria, certain assessment criteria apply to specific types of projects. The assessment criteria for transport projects include (i) the level of improvement in network and capacity offered (i.e., the difference between interconnection service speeds currently offered in the area and those that would be offered as a result of the project); (ii) the number of PoPs for wholesale and retail transport services along the proposed route (i.e., how many PoPs will serve eligible communities); (iii) the number of communities and households that could be served (i.e., how many communities and households may receive access to new or improved broadband services as a result of the project); (iv) the presence, type, and number of anchor institutions that could be served (i.e., whether broadband services are likely to be provided to anchor institutions as a result of the project); and (v) open access service offerings (i.e., whether varied and competitive services would be available in new or upgraded PoPs as a result of the project).
29. On the basis of its evaluation of the KRG's project against the assessment criteria, including the specific criteria applicable to transport projects, the Commission finds the KRG's project to be selectable.

### **Selection considerations**

30. 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 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.
31. The selection considerations set out in the Application Guide include the efficient use of funds, and whether the communities affected by proposed projects are Indigenous or official language minority communities.<sup>7</sup>
32. 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

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<sup>7</sup> The selection considerations are set out in sections 6.3 to 6.3.4 of the Application Guide.

sources.<sup>8</sup> On the basis of these considerations, the Commission is of the view that funding the KRG's project is an efficient use of funds.

33. Finally, the KRG's project will benefit five Inuit communities, all of which are official language minority communities.

## **Conclusion**

34. The Commission finds that the KRG's project (i) is consistent with the universal service objective by providing reliable, high-speed Internet to five Inuit communities in northern Quebec, and (ii) will have a significant positive impact on the area to be served.
35. 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 \$79,419,117 from the Broadband Fund to be distributed to the KRG for the purpose of the transport project described above and as set out in the approved statement of work.
36. Consistent with paragraph 305 of Telecom Regulatory Policy 2018-377, the Commission expects project construction to be completed within **three years** of the date of decision.
37. 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**

38. 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.
39. 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

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<sup>8</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.



funding, any changes that materially affect the project to be delivered must be approved by the Commission.

## **Directions**

40. The Commission's approval is subject to the conditions that the recipient
  - (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, by **19 November 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.
41. 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.
42. 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.
43. 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.
44. 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**

45. 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 a progress report, in the format provided by the Commission, outlining the progress made in the implementation of the project and any variances in the project schedule included in the statement of work. This

- report is to be filed every **three months** beginning on the date established in the statement of work and continuing until the final implementation report is submitted.
- (b) 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. 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.
- (c) 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; and
  - (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.
- (d) 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.
- (e) 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.
- (f) 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.
- (g) 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.

- (h) The recipient must ensure that its travel costs, such as meal per diems, comply with the [National Joint Council Travel Directive](#).
- (i) The recipient must publicize, including by publishing on its website, the wholesale open access service packages to be offered as a result of the project at least **90 days** prior to the planned date on which wholesale open access service will be available as detailed in the statement of work. This shall include the proposed location of any PoPs, capacity available for open access, service plans, prices, and terms and conditions.
- (j) 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.
- (k) 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.
- (l) The recipient must file for Commission approval a final implementation report within **90 days** of construction being complete and broadband services being offered. In the report, the recipient must confirm that project construction is complete and that broadband services are being offered. The date on which the final implementation report is submitted will be considered the project completion date. The recipient must also demonstrate in the report that the project has met the requirements set out in all related decisions. The report is to be in a format specified by the Commission.
- (m) The recipient must file a project holdback report **one year** after the project completion date demonstrating to the Commission's satisfaction that the recipient has offered broadband services for one year in accordance with the conditions of service established in the decision and described in the approved statement of work. Holdback funds will be released only once the Commission is satisfied that the recipient has offered the services described in the approved statement of work in accordance with the conditions of service established in the decision.

## **Section 24 conditions**

- 46. 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.

47. 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.
48. 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
- (a) provide transport capacity at each eligible PoP funded by the Broadband Fund with total capacity no lower than that proposed in the application and described in the approved statement of work; and
  - (b) offer and provide, in a fair, transparent, timely, and non-discriminatory manner, wholesale and retail open access to the transport infrastructure at each eligible PoP funded by the Broadband Fund. Terms and conditions that are the same as or better than those applied to the services of subsidiaries, affiliates, or partners must be applied to other service providers requesting access to project sites. Such wholesale and retail open access services must be offered at rates no higher, and a capacity no lower, than those proposed in the application and detailed in the approved statement of work.

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—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
- *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