



Media Advisory and Backgrounder

PIAC will be available to comment on upcoming CRTC decision on broadband internet

(OTTAWA) At 4:00 PM EST December 21 the Canadian Radio-Television and Telecommunications Commission (CRTC) will issue its decision on its *Review of basic telecommunications services*.

The proceeding, initiated in 2015 and culminating with a public hearing in April 2016, was a broad review of basic telecommunications services in Canada, including whether broadband internet access should be considered “basic telecommunications services” and therefore available to all Canadians, and whether funding support is necessary to make sure all Canadians have access to basic telecom services. The proceeding was conducted in reference to the *Telecommunications Act*, which requires the CRTC to exercise its powers and perform its duties with a view to implementing the Canadian telecommunications policy objectives, which includes the rendering of reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada, and responding to the economic and social requirements of users of telecommunications services.

The Public Interest Advocacy Centre (PIAC) was part of the “Affordable Access Coalition”, along with the Association of Community Organizations for Reform Now, Canada (ACORN Canada), the Consumers’ Association of Canada, the Council of Senior Citizens’ Organizations of British Columbia; and the National Pensioners Federation.

Geoff White, PIAC’s External Counsel and co-counsel to the Affordable Access Coalition, will be at the CRTC advance “lockup” analyzing the decision and available for comment on-site at 4:00 PM.

Supported by two Environics surveys of Canadians, and a report from an expert on how other jurisdictions ensure all of their citizens have access to affordable telecommunications services, the Affordable Access Coalition argued that broadband access is without a doubt a “basic” and essential telecommunications service, and that the “basic” broadband speed is at least 10 megabits per second (Mbps) download speed and may easily be 25 Mbps by 2020. This “basic” speed is the speed a household needs to meaningfully participate in society. Because the Coalition’s evidence indicated that not all Canadians have access to that basic speed, either because broadband is not available where they live, or because it is unaffordable to low-income Canadians, the Coalition proposed two subsidies to support broadband availability and affordability. This decision may lay the foundation for the deployment of higher-speed broadband to rural areas and a subsidy to make Internet more affordable for low income Canadians.

For more information, please see the attached backgrounder, or contact:

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Backgrounder

The Affordable Access Coalition's key submissions in the CRTC's Review of basic telecommunications services proceeding

Overview

This document highlights some of the Affordable Access Coalition's key submissions to the CRTC. The Coalition's main submissions can be found [here](#).

The Affordable Access Coalition has made a series of proposals to the CRTC. The Coalition's proposals recognize the central importance of broadband to all Canadians. The proposals acknowledge that government funding and market forces alone are not going to get every Canadian the access they need and that low-income Canadians are struggling to afford essential telecommunications service. The proposals call for *bold action* in the form of funding mechanisms for broadband deployment and subsidies for low-income Canadians.

The Coalition's key proposals are contained in the following action plan which the Coalition submitted to the CRTC in its final arguments.

Affordable Access Coalition's Proposed Action Plan¹

Action	Timing
1. Declare broadband of at least 10/1 as a "basic" telecommunications service, meaning all Canadians should reasonably expect to be able to access this service	Immediately
2. Support broadband deployment to higher cost areas via a "Broadband Deployment Funding Mechanism"	Within one year of CRTC decision
3. Support low-income households' access to telecommunications service by adopting the Affordability Funding Mechanism	Within one year of CRTC decision
4. Monitor broadband deployment and affordability	Yearly, commencing in 2018
5. Adjust	As necessary based on changes in needs, technology, and speeds, according to the "50-80" rule

The Affordable Access Coalition's five actions above would be a major element of any broader, more comprehensive strategy. In the absence of such a broader plan, however, the Affordable Access Coalition's action plan would address the basic telecommunications service needs of Canadians. The Affordable Access Coalition's proposals are explicitly rooted in how users are actually using telecommunications service, as indicated through frontline surveys and testimonials on the record. The Affordable Access Coalition's proposed funding mechanisms leverage existing CRTC mechanisms. They

¹ Telecom Notice of Consultation CRTC 2015-134, Phase 1 Intervention of the Affordable Access Coalition, 25 May 2016.

are reasonably priced, and capped; in fact, they track telecom industry funding levels in other notable jurisdictions. They aim for a national broadband standard that is realistic, not out of reach. Canadians would support these measures; indeed, Canadians believe in universal broadband and affordable telecommunication service, will pay to support one another, and will laud the Commission for making it all possible.

The Affordable Access Coalition's proposals are (i) reasonable, (ii) realistic, and (iii) realizable. By "reasonable" the Affordable Access Coalition means that its proposals are in line with the Commission's mandate, in line with industry funding levels in other key jurisdictions, and in line with Canadians' willingness to support one another. By "realistic" the Affordable Access Coalition means that its proposals are not based on targets that are overly high and not grounded in the economic and business reality facing telecommunications service providers. By "realizable" the Affordable Access Coalition means that the Commission has the jurisdiction to actually implement the Affordable Access Coalition's proposals. Adopting the Affordable Access Coalition's proposals would be consistent with the Commission's mandate under the *Telecommunications Act*, and would further the user-focused Canadian telecommunications policy objectives.

Broadband is "basic", and "basic broadband" is at least 10 Mbps download.

Broadband has become an essential telecommunications service. The CRTC's United States counterpart, the Federal Communications Commission put it succinctly: "Today, broadband is essential to participate in society."²

Broadband is essential to individuals (of all ages), to households, to businesses, and to Canada's competitive advantage. The Affordable Access Coalition noted in its final arguments that the CRTC admitted at the public hearing that it is convinced that broadband is essential, and thus the only matter for determination is what speed is "basic" broadband, and what measures, if any, are necessary to support broadband access.³

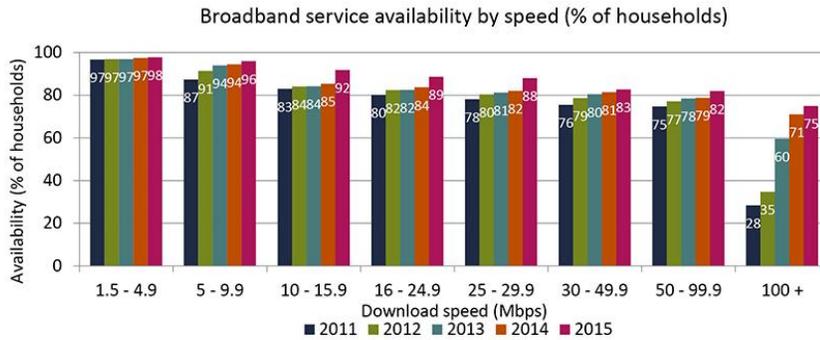
As the Affordable Access Coalition argued, not all Canadians are able to connect: access and socio-economic barriers persist, and market forces and targeted government funding have not been fully responsive to these barriers.

According to the CRTC's latest *Communications Monitoring Report* (2016), 1.4% of Canadians do not have access to download speeds above 5 Mbps download speeds, and about 4% do not have access to download speeds above 10 Mbps.⁴

² FCC, *Second Further Notice of Proposed Rulemaking, Order on Reconsideration, Second Report and Order, and Memorandum Opinion and Order* (22 June 2015), (FCC 15-71A).

³ TNC 2015-134 Transcript, Vol. 6 (18 April 2016).

⁴ CRTC, *Communications Monitoring Report* (2016), online: <http://www.crtc.gc.ca/eng/publications/reports/policymonitoring/2016/cmr5.htm> at Figure 5.3.11 Broadband service, 5 Mbps availability (% of households), Figure 5.3.12 Broadband service availability by speed (% of households).



(Source: CRTC, *Communications Monitoring Report*, 2016, Table 5.3.10)

The Affordable Access Coalition’s research in this proceeding regarding typical Canadian household access and usage, and analysis of how other leading countries set their broadband objectives, indicates that the “basic” level of broadband access today is approximately 10 Mbps download speed and 1 Mbps upload speed, and is expected to increase as technology evolves.

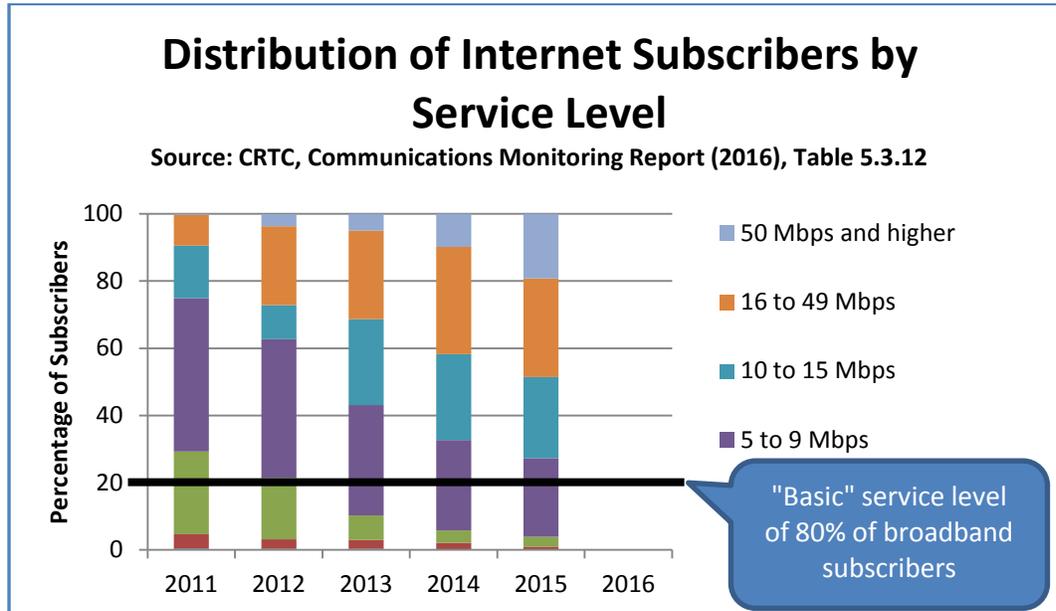
The Affordable Access Coalition modeled various household needs based on data about the number of residents (users) in a household, the number of devices being used, the types of functionality and apps that most Canadians take for granted.

The Affordable Access Coalition also considered how the CRTC, and other leading regulators, have articulated their “universal service” objectives, and believe that the CRTC’s standard for basic telecommunications service is consistent with an approach that recognizes as a “basic” telecommunications service a service that is subscribed to by 50 percent of the population, with 80 percent subscribing to the service at a given level—the so-called “50-80” rule.⁵ Applying that formula to the data from the CRTC’s *Communications Monitoring Report 2016*, broadband is clearly a basic service with 82% of Canadians subscribing.⁶ The basic service level for download speeds has surpassed the current standard of 5 Mbps (96.1% of in high-speed internet subscribers exceeded this level as of 2015) and has likely surpassed 10 Mbps (72.7% of high-speed internet subscribers exceeded this level as of 2015), and the percentage of subscribers subscribing to plans slower than 10 Mbps has dropped an average of 9.5 percentage points per year between 2011 and 2015).⁷

⁵ The 50-80 rule, which can be observed in practice by the European Commission, considers a telecommunications service as “basic” for the purposes of determining required universal service if 50% of the population subscribes to a service, and 80% of those subscribers do so at given speed or other relevant measurable quality. See Affordable Access Coalition’s First Intervention (14 July 2015), at para. E26.

⁶ CRTC, *Communications Monitoring Report* (2016), Figure 5.3.12 Broadband service availability by speed (% of households)

⁷ CRTC, *Communications Monitoring Report* (2016), Table 5.3.10 Residential Internet service upload speed (Kbps) by advertised download speed and average advertised download speed, Figure 5.3.12 Residential Internet service one-month subscriber distribution (%), by advertised download speed.



As a “basic” standard, the 10/1 objective is within the Commission’s jurisdiction to support. The Affordable Access Coalition has not proposed a standard beyond “basic” that is either so high as to be unrealistic (as are proposals for a symmetric download/upload standard) and not basic.

Canadians believe broadband is essential, and should be affordable.

Most Canadians believe home broadband is essential, with 67% of Canadians rating broadband home internet as 8 to 10 a scale where 10 is absolutely essential.⁸ Furthermore, 84% of respondents indicated there should be access to broadband home internet no matter where one lives in Canada.⁹ Additionally, 89% of respondents to the Environics survey agreed broadband home Internet needs to be affordable for low-income Canadians.¹⁰

Some Canadians are unserved by 5/1, let alone the 10/1 (or higher) standard that is today “basic”. The Commission’s determination in respect of “basic” broadband will determine the size of the broadband

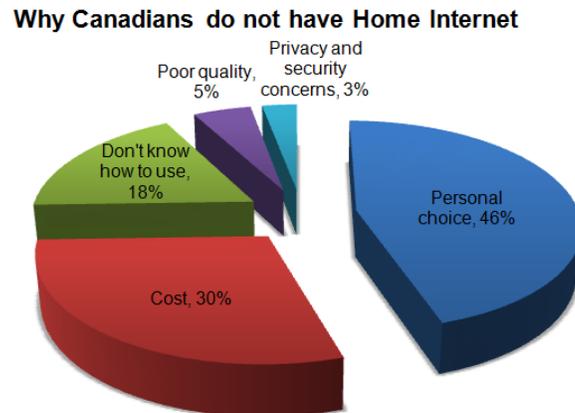
⁸ Telecom Notice of Consultation CRTC 2015-134, Phase 1 Intervention of the Affordable Access Coalition, Appendix “A” (14 July 2015), online: <<http://www.piac.ca/our-specialities/the-basic-service-objective-hearings/>> at 7. Survey Questionnaire Statement: “On a scale of 1 to 10 where ‘1’ means it’s not important at all and ‘10’ means it’s absolutely essential, how important is each of the following to you? Broadband Internet at Home”

⁹ Telecom Notice of Consultation CRTC 2015-134, Phase 1 Intervention of the Affordable Access Coalition, Appendix “A” (14 July 2015), online: <<http://www.piac.ca/our-specialities/the-basic-service-objective-hearings/>> at 7. Survey Questionnaire Statement: “All Canadians should have access to broadband home Internet service no matter where they live in Canada.”

¹⁰ Telecom Notice of Consultation CRTC 2015-134, Phase 1 Intervention of the Affordable Access Coalition, Appendix “A” (14 July 2015), online: <<http://www.piac.ca/our-specialities/the-basic-service-objective-hearings/>> at 7. Survey Questionnaire Statement: “Survey Questionnaire Statement: “Broadband home internet service needs to be affordable for low-income Canadians.”

access gap. In any case, this is evidence that market forces and targeted government funding are not fully responding to the needs of users. Satellite, while promising, continues to suffer from cost and reliability issues.

It is also a fact, based on testimonials filed by many Canadians that many low-income Canadians are struggling to afford home internet access, and make sacrifices to other important household budget items to be able to continue to have internet access. According to the results of the Environics survey, expense is a major reason for not subscribing to home internet access, after personal choice reasons.¹¹



The Affordable Access Coalition therefore continues to believe that complementary funding support is necessary, and that its Broadband Deployment Funding Mechanism will provide a yearly capped amount of sustainable funding to address gaps. If the Affordable Access Coalition is wrong about market forces and government funding, then the Broadband Deployment Funding Mechanism can easily be withdrawn at such time as all Canadians have access to 10/1.

Now is the time for action.

The CRTC has evidence that not all Canadians can access 10 Mbps, let alone 5, and that even where physical access exist, many Canadians are making difficult sacrifices to be able to afford access.

The CRTC is required by the *Telecommunications Act*¹² to exercise its powers and perform its duties with a view to implementing the Canadian telecommunications policy objectives. These policy objectives include safeguarding, enriching and strengthening the social and economic fabric of Canada and its regions; the rendering of reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada; and responding to the economic and social requirements of users of telecommunications services.¹³

¹¹ Telecom Notice of Consultation CRTC 2015-134, Phase 1 Intervention of the Affordable Access Coalition, Appendix “A” (14 July 2015), online: <<http://www.piac.ca/our-specialities/the-basic-service-objective-hearings/>> at 3. Survey Questionnaire Statement: “Survey Questionnaire Statement: “What are the main reasons why you do not have Internet service at home?”

¹² *Telecommunications Act* (S.C. 1993, c. 38), s. 47.

¹³ *Ibid.*, s. 7.

Now it the time for action because while many Canadians continue to suffer without access to the connectivity they need, other jurisdictions have already taken bold steps to connect their citizens and to address affordability barriers.

Other Notable Broadband Access Goals		
Who?	What?	By When?
U.S.A.	10 Mbps (rural/underserved communities) 100 Mbps to 100 million households	(no fixed date) 2020
European Union	30 Mbps to 100%	2020
Australia	50 Mbps to 90% of fixed line premises 25 Mbps to 100%	2019 2021
U.K.	2 Mbps to 100% 24 Mbps to 95%	2016 2017
France	3-4 Mbps to 100% Fibre-to-the-home to 100%	2017 2022
Germany	50 Mbps to 100%	2018

Note that what the Affordable Access Coalition has proposed is not the high-end, ambitious plan for connectivity, but a proposal for achieving universal access to “basic” (that is, functional) household broadband access. The Affordable Access Coalition responded to arguments by a number of service providers that demands for high-speed internet access are essentially demands for entertainment, and by implication a luxury, by pointing to evidence that many households rely on video for education and accessing government services. The Affordable Access Coalition also noted that users of internet access are in the best position to determine their own needs, and noted that much ISP marketing is focused on high speeds as being a “need”.

The CRTC should expand current industry funding for plain old telephone service to fund broadband deployment and telecommunications affordability.

To support access to basic broadband the Affordable Access Coalition asked the CRTC to establish a “Broadband Deployment Funding Mechanism”. The Broadband Deployment Funding Mechanism would be financed through the existing but modified National Contribution Fund for plain old telephone service, to supplement the current residential local wireline subsidy regime, which would continue to operate as is. Funding could be achieved through broadening the contribution-eligible “tax base” by including retail Internet and paging service revenues, and by returning the contribution rate to historic (2001-14) levels. The Broadband Deployment Funding Mechanism could be implemented beginning 2017. Funding would be capped annually.

To support affordability, the Affordable Access Coalition asked the CRTC to establish an “Affordability Funding Mechanism”. The Affordability Funding Mechanism would be an affordability subsidy to support access by low-income households to the telecommunications services of their choosing from the service provider of their choosing. The Affordability Funding Mechanism, which is based on approaches taken elsewhere, could be financed through the existing but modified National Contribution Fund. Like the Broadband Deployment Funding Mechanism, the Affordability Funding Mechanism would be capped annually, and could be implemented beginning 2017.

The Affordable Access Coalition’s proposed funding mechanisms are designed to complement, not replace, market forces and targeted government funding, such as the \$500M announced last week.¹⁴ They are flexible, predictable, capped programs that can provide an annual amount of funding to support fulfillment of the telecommunications policy objectives. As already detailed extensively in the Affordable Access Coalition’s evidence, over the 2017-20 period the BDFM would be capped at \$190 million/year, and the Affordability Funding Mechanism would be capped at \$70 million/year (“**baseline**” version) or \$410 million/year (“**ambitious**” version).

Canadians are willing to support one another.

The Affordable Access Coalition believes that Canadians are willing to pay to support universal broadband access and affordable telecommunications for low-income Canadians. The mean and median monthly amounts Environics’ survey respondents were willing to pay are set out below.

*How much are Canadians willing to pay as a surcharge on monthly bills in order to ensure...*¹⁵

All respondents	Mean	Median
Canadians have access to telephone service no matter where they live in Canada	\$3.10	\$1.00
Low-income Canadians can afford basic home phone service	\$2.74	\$1.00
Canadians have access to broadband home Internet service no matter where they live in Canada	\$2.55	\$0.50
Low-income Canadians can afford broadband home Internet service	\$2.32	\$0.50

The Affordable Access Coalition’s Environics survey responses indicate that 90% of respondents believe that phone and Internet service providers should contribute to the National Contribution Fund.¹⁶ The majority also believed that the federal government should contribute to the fund. About half of Canadians believed that telecommunications subscribers should contribute to the fund.¹⁷

The Affordable Access Coalition’s expert in universal service regimes modeled the “wallet” impact of these two funds to be in the range of \$0.62 and \$1.43 per month (depending on whether the CRTC accepts the baseline or more ambitious affordability subsidy).¹⁸ This amount would be incremental to

¹⁴ Innovation, Science and Economic Development, *Connect to Innovate* (15 December 2016), online: <<https://www.ic.gc.ca/eic/site/028.nsf/eng/50010.html>>.

¹⁵ Telecom Notice of Consultation CRTC 2015-134, Phase 1 Intervention of the Affordable Access Coalition, Appendix “A” (14 July 2015), online: <<http://www.piac.ca/our-specialities/the-basic-service-objective-hearings/>> at 9. Survey Questionnaire Statement: “How much are you willing to pay as a small surcharge on your monthly bill in order to ensure...”

¹⁶ Telecom Notice of Consultation CRTC 2015-134, Phase 1 Intervention of the Affordable Access Coalition, Appendix “A” (14 July 2015), online: <<http://www.piac.ca/our-specialities/the-basic-service-objective-hearings/>> at 8. Survey Questionnaire Statement: “Currently, there is a program called the National Contribution Fund in Canada that subsidizes the costs of making basic landline phone service available and affordable in all parts of Canada. The CRTC may expand this program to ensure that all Canadians also have access to or can afford basic cell phone and broadband home Internet service. Do you think each of the following should or should not contribute to the costs of this?”

¹⁷ See Affordable Access Coalition’s First Intervention (14 July 2015), Fig. 20, “Who Should Contribute to the National Contribution Fund”, and paras. 376-78.

¹⁸ Telecom Notice of Consultation CRTC 2015-134, Phase 1 Intervention of the Affordable Access Coalition, Appendix “A” (14 July 2015), online: <<http://www.piac.ca/our-specialities/the-basic-service-objective-hearings/>>.

the current contribution charge in support of primary exchange service and video relay service, which the CRTC requires as a basic telecommunications service that enables people with hearing or speech disabilities who use sign language to communicate with voice telephone users.”¹⁹

Monitoring and timely course corrections will be needed.

The Coalition also recommended the CRTC monitor its decision by performing yearly progress checks, and initiating a proceeding if and when timely progress toward availability and affordability goals fails. If it turns out the Affordable Access Coalition’s proposed funding mechanisms are no longer necessary, they can easily be wound up.

For more information, please see the attached backgrounder, and the Coalition’s submissions [here](#).

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¹⁹ hearings/> at 9. [Survey Questionnaire Statement](#): “How much are you willing to pay as a small surcharge on your monthly bill in order to ensure...”
Telecom Regulatory Policy CRTC 2014-187, online: <<http://www.crtc.gc.ca/eng/phone/acces/rela.htm>>.