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Digital Broadband the Key to Economic Prosperity (2020)

Issue

“Whether you are self-employed, a small business owner or a large enterprise, you should not have to worry about losing your business, and your employees should not have to worry about losing their jobs” (CBRN, 2020). Broadband internet has long posed a challenge for some Canadians to effectively participate and compete in the economy. Certainly, COVID-19 has heightened the rural and urban digital divide, highlighting challenges faced by more than 2 million Canadians without reliable internet. It is essential for policymakers, regulators and all interested stakeholders to work together to deliver equitable broadband so that Canadians are well positioned for economic recovery.

A Brief History of Telecommunications in Canada

Prior to 1993, the telecommunications sector was governed under the 1906 Railway Act (Middleton, 2017). The 1993 Telecommunications Act recognized that telecommunications have an essential role in the maintenance of Canada’s identity and sovereignty and laid federal legislation to govern the telecommunications sector. Decisions in the 1980s and 1990s opened the market to further competition. In 2006, as a result of an extensive review of telecommunications policy in Canada (Telecommunications Policy Review Panel, 2006), the federal government issued a policy directive to the CRTC further entrenching the role of the market in delivering telecommunication services. This policy required the CRTC to:

- Rely on market forces to the maximum extent feasible as a means of achieving the telecommunications policy objectives, and
- When relying on regulation, use measures that are efficient and proportionate to their purpose and that interfere with the operation of competitive market forces to the minimum extent necessary to meet the policy objectives (Governor in Council, 2006)

The 1993 Telecommunication Act imposed strict Canadian ownership requirements for operating a telecommunications carrier in Canada. 80% of voting shares and board of director seats were to be held by Canadians (Canada, 1994). These restrictions were touted for being the most restrictive in the OECD (Organization for Economic Cooperation and Development, 2011).

In 2009, the Government of Canada announced that it intended to ‘regain its leadership position in the digital economy’ (Clement, 2009) and in 2010, the government held a consultation on the Digital Economy, receiving more than 250 submissions from organizations and individuals.

In recent years, the Government of Canada has introduced various programs and initiatives to improve broadband across Canada and meet targets set out by the CRTC.

- In 2016, the CRTC created a \$750 million fund, made up of contributions from larger telecommunications service providers, to support projects in areas where established targets were not being met. However, Telecom Regulatory Policy CRTC 2018-377, issued on 27 September 2018, lowered the target to now require that projects eligible for the fund provide access to download speeds of 25 Mbps and upload speeds of 5 Mbps instead of the original targets of 50 and 10 Mbps. The CRTC said this would allow “projects covering underserved areas [to] deliver a broadband Internet access service that the majority of Canadians use today.” In 2019, in Telecom Notice of Consultation CRTC 2019-191, it issued a call for applications for funding from this Fund.
- In 2016, the Government of Canada announced that it was investing up to \$500 million over five years to bring broadband Internet service to 300 rural and remote communities through the *Connect to Innovate* program.
- In Budget 2018, \$100 million over five years was announced under the *Strategic Innovation Fund* (SIF) to support projects focused on low-orbit satellites and next-generation rural broadband Internet service.
- In Budget 2019, the Government committed to ensuring that 95% of Canadians have access to the CRTC’s speed targets (50/10 Mbps) by 2026 and 100% by 2030, and it proposed various initiatives to achieve this, including \$1.7 billion over 13 years in funding under the new Universal Broadband Fund.

However, an implementation plan for reaching these targets is unlikely, especially when one considers that connectivity across Canada is unequal. It has been well documented that urban Canadians have access to a wide variety of Internet services, while those living in rural or remote areas have limited or no access to broadband (Theckedath and Thomas, 2019).

Under Canada’s current regulatory regime, regions with lower population density, such as rural and remote communities, end up underserved because less density means less customers, which may not fit with the business models of large incumbent providers.

Additionally, Canada’s telecommunications industry landscape is not competitive enough to incentivize the market to increase speed and access. This is evidenced by the fact that investments in rural broadband by successive governments and incumbent providers over nearly two decades have not solved the problem.

Broadband: An Essential Economic Driver

Rural and remote communities are important contributors to Canada’s economy, representing key industries – from agriculture and natural resources to manufacturing and tourism. “Together, they drive nearly one-third of Canada’s economy” (CERIC, 2020) building better lives for millions of Canadians and contributing to the prosperity of our country.

Despite this, “right now, two million Canadian households still cannot access a reliable internet connection which is vital to our economy and quality of life (CERIC, 2020). In fact, rural and remote communities have overwhelmingly “identified challenges accessing affordable, high speed internet as the number one issue impeding their economic growth” in a recent Government of Canada report (ISED, 2019).

When businesses consider where to establish themselves in a community, connectivity is among their list of priorities. Thus, low-quality and high-cost internet can deter companies from establishing themselves, thereby hampering the economic growth of rural and remote regions.

For those businesses who are already situated in rural or remote communities, access to broader markets is often limited. For example, when consulting Canadians ahead of presenting the federal government's connectivity strategy, Canadian officials heard from small businesses being forced to operate on a "cash-only" basis because their internet was not powerful enough to allow Interac or debit payment. They also heard about farm operations that tried to connect to global markets using fax machines (ISED, 2019).

This rationale demonstrates that expanding internet access for rural and remote communities is necessary for the growth of these regions but also for the Canadian economy to compete in today's global marketplace.

COVID-19

The COVID-19 pandemic has shown that digital connectivity is critical to resilience and business continuity in times of crisis. Despite this, new data released by the Canadian Internet Registration Authority (2020) shows significant differences in the internet speeds between urban and rural communities. In April, rural download speeds were nearly 12 times slower, as compared with urban Canadians. Since the COVID-19 pandemic, internet speeds have fallen for rural users, and increased for urban users because of their option to upgrade their service. This is problematic especially when one considers that most local businesses were forced to shift to online-only in response to COVID-19 and fast upload speeds are critical for video conferencing, cloud storage and other popular productivity applications.

As we move toward recovery, it makes economic sense to have policies in place that accelerate broadband development for all Canadians.

The Canadian Chamber of Commerce recommends that the Government of Canada:

1. Work with municipal, provincial and territorial governments and agencies to deliver broadband funding that will help maximize capital for broader internet access
2. Launch the new Universal Broadband Fund quickly to expand broadband access to struggling communities so that they are well positioned for economic recovery
3. Include remote and rural experts and stakeholders in national discussions and when evaluating federal programs and policies