

August 31, 2018

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**Re: Competition in Broadband Services Market Study**

Good day Mr. Lang,

**Introduction**

1. The BC Broadband Association (BCBA) is a consortium of small and medium sized ISPs in BC. Our members include resellers of fibre, cable, and DSL, owners of fixed wireless infrastructure (especially in rural communities) and operators that are both resellers and infrastructure owners.
2. The BCBA would be pleased to participate in an oral interview.
3. The competitive wholesale market in Canada is crucial for competition and consumer choice, but this market is challenging to regulate. Large network owners such as Bell, TELUS, Shaw, and Rogers are dominant players in the Canadian landscape. In most urban markets, there are only two significant facilities-based competitors. These network owners are not motivated to provide high service levels to resellers or timely access to new products, nor are they motivated to offer wholesale services at prices that would enable competitive resellers to build and maintain significant business volumes.
4. Network owners have strong advantages contributing to their high market share. These advantages include first-mover advantage and widespread brand recognition, as well as significant capital resources.
5. The Bureau is investigating competition in broadband markets. There are four distinct broadband markets in Canada, associated with the network infrastructure types used to deliver services – DSL markets, cable markets, fibre markets, and fixed wireless markets.
6. DSL is waning in market importance. For resellers, DSL is no longer a competitive product. Wholesale DSL is currently not available to our members at prices that permit a sustainable business model. Further, many DSL networks have been over-built by fibre networks by the DSL network owner (that is, TELUS in BC), and consumers have faster speeds available through these fibre networks.

7. Cable resale has become a viable market for many resellers since the CRTC's rate decision of 2016 (CRTC 2016-396). In BC, many of our members have seen growth in their cable resale businesses since that decision. Shaw offers acceptable service levels in scheduling and installing services and subsequent support to wholesale customers.
8. Residential wholesale fibre products are not yet available to our members. The CRTC process for regulating access to wholesale fibre has been ongoing since 2015, and access to wholesale fibre networks is still not foreseeable in the medium term. While our members wait for wholesale fibre access, our DSL customer base is being eroded as customers move to fibre connections. We are unable to compete with TELUS in the current market conditions.
9. Fixed wireless networks provide the most meaningful competition in Canadian telecommunications markets. Non-incumbent carriers are able to invest into fixed wireless facilities and infrastructure. However, these operators are held back by a lack of access to spectrum and face challenges with access to affordable internet connectivity.
10. Many of our members have built fixed wireless networks to service rural communities. These networks enable small operators to compete with large national operators where the fixed wireless operator has affordable access to fibre backhaul.
11. These networks have been deployed in rural communities, where large national carriers have traditionally under-invested.
12. The development of 5G technology presents an opportunity to small operators to compete in urban as well as rural environments. If small operators are able to gain access to spectrum for 5G services, competition in markets across Canada would be enhanced.

**1. Have resellers been able to deploy competitively effective service offers?**

1. What competitive influence have resellers had, to date, on traditional phone and cable network owners? How could this competitive influence change in the future?

2. Are there differences between the services offered by traditional phone and cable network owners and those provided by resellers that could explain the observed consumption patterns? What are the value points that matter the most to consumers?

13. It is the perception of our members that competition from resellers has not had a significant influence on the prices of DSL and cable products. Competition between incumbent providers has had more influence.
14. However, fixed wireless competitors to cable and DSL network owners have had influence in small communities. The presence of an alternative fixed wireless service provider has been observed to spur investment by incumbents into these rural markets. Where incumbents have entered these markets, fixed wireless operators have been able to successfully compete.
15. In BC, TELUS has expanded somewhat outside of their traditional service offerings by introducing fixed wireless “smarthub” services. In doing so, they compete with small fixed wireless carriers. TELUS has also expanded their wireline footprint by building the fibre plant beyond the reach of DSL in many communities.
16. Consumers typically choose incumbent providers’ services over resellers’ services due to the high level of brand recognition of national incumbent carriers. These carriers engage in significant marketing efforts that cannot be matched by small competitors.
17. Further, the availability of services to resellers typically lags the availability of these services from the network owner. This first-mover advantage results in many customers choosing the incumbent’s services over the competitor’s, and these consumers are then contracted to the incumbent.
18. Many consumers choose competitors because of the local support available, and the ease of doing business with small, local companies. The confusing array of bundles available through national incumbents drives some consumers to choose the simpler products offered by resellers.

**2. How have consumers reacted to new competitive alternatives?**

1. How aware are Canadian consumers of their options for broadband services? Are there factors that may drive consumer inertia in this industry and, if so, are there ways to overcome these factors?
2. How does the fact that resellers do not typically provide other telecommunications services (e.g., television or phone service) affect the competitive attractiveness of resellers?
3. How do industry contractual practices affect consumer behaviour? How are contract lengths and bundling discounts structured? How aware are consumers of their contractual obligations and rights?

19. The relatively low consumer uptake of competitors' services is partly or largely a result of the high levels of brand recognition of large national carriers. Small competitors do not invest as much in marketing as these incumbents.
20. Customers' prices are raised once their contracts have expired, and they may re-sign their contracts quickly rather than seek alternative options.
21. Competitors are further impacted by the first-mover advantage enjoyed by incumbents. Competitors' access to new services lags the introduction of these services by network owners. By the time resellers gain access to new services, many customers have already undertaken contracts for these new services with incumbents. This is an issue with new speeds on existing infrastructure, and it is a serious issue with access to the newly deployed fibre plant.
22. Today, competitors are able to offer VoIP and television services through other wholesalers. It is necessary for resellers to offer these services to gain and retain customers.
23. Many customers who choose resellers' services appreciate these competitors' more transparent packages and bundling structures.

### **3. How does regulation in this industry affect the economic behaviour of broadband suppliers?**

1. How does the Canadian reseller regime affect the incentives that network owners have to expand or upgrade their networks? Have network investment levels changed following the establishment of resellers?
2. What investments must resellers make in order to provide services to consumers? Are there features of the marketplace that impede the expansion of resellers?
3. Have network owners used the reseller regime to expand their reach outside of their incumbency area? Why or why not?

24. We have not seen any evidence that network owners have reduced their investment as a result of resellers. TELUS continues to invest billions into building fibre networks across BC and Alberta. In a recent response to the CRTC<sup>1</sup>, TELUS stated that “Of note, and consistent with the previously provided information, the existing and forecasted wholesale demand represents only a very small portion of TELUS’ overall wireline internet business in its operating areas”.
25. Resellers are themselves network owners in many cases. Many resellers invest in core network infrastructure in order to aggregate DSL services to support economies of scale, and in order to provide value-add services such as VoIP and TV.
26. Some Canadian resellers have invested in fixed wireless and wireline networks to expand the reach of existing cable, DSL, and fibre networks. These small companies lack the economies of scale that support cost-effective access to infrastructure such as poles and conduits, and have limited access to spectrum. Nonetheless, many small companies are able to overcome these challenges and access markets, especially in rural areas, that are under-served by national carriers.
27. In BC, we have not observed non-incumbent carriers (i.e. Bell or Rogers) entering the residential markets as resellers. These carriers have worked with commercial customers through the resale market. We believe that margins in resale markets are not sufficient to justify diverting investment from their networks incumbency areas.

### **4. How do other countries manage and regulate broadband competition?**

28. The BCBA has no comment.

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<sup>1</sup> Letter dated April 4, 2018, Re: Follow-up to Telecom Regulatory Policy CRTC 2015-326 (“TRP 2015-326”) – Follow-up process to consider implementation issues of disaggregated wholesale HSA services, including over FTTP access facilities, in other regions, Stage 2 Requests for Information Update – Responses of TELUS Communications Inc. (“TELUS”)

## Closing comments

29. Large national telecommunications companies dominate the Canadian broadband wireline market, and there have been very few new entrants in this market over the past decade. Through mergers and acquisitions in this industry, the level of competition continues to diminish.
30. In order to ensure the viability of competition in Canada, the Competition Bureau should be active in overseeing the telecommunications market.
31. The CRTC should be more expedient in ensuring wholesale access to competitors, in order to ensure that the wholesale regime has a meaningful effect in the marketplace. Proceedings, such as the ongoing wholesale residential fibre access proceeding, have progressed slowly, enabling incumbents to further dominate the market while competitors do not have a clear path to a viable business model.
32. Funding programs, such as the CRTC essential services fund and ISED broadband funding programs, could serve to enhance the level of facilities-based competition in Canada by ensuring that these programs are designed to enable the participation of small competitors.
33. Innovation, Science, and Economic Development Canada (ISED) should ensure that spectrum can be accessed by small carriers, both in urban and rural communities across Canada.
34. The Competition Bureau and the CRTC should work to ensure that last-mile competitors can access fibre backhaul in communities where there is only one fibre backhaul carrier.
35. With effective and timely enforcement of existing regulations, and by implementing current policy using mechanisms that permit the market participation of small competitors, consumers will benefit from a thriving and competitive marketplace.

The BCBA thanks the Competition Bureau for the opportunity to participate in this study.

Kind regards,



**Rey Sonico**

Secretary

BC Broadband Association