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April 1, 2019

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**Re: March 9, 2019 notice in Canada Gazette, Part 1, Volume 153, Number 10: Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives to Promote Competition, Affordability, Consumer Interests and Innovation**

I am writing today on behalf of the Business Council of Canada to share our concern about the Government of Canada's proposed policy direction to the Canadian Radio-television and Telecommunications Commission (CRTC).

The Council is a not-for-profit, non-partisan organization representing top business leaders in every region and sector of Canada. Our members employ millions of Canadians and support hundreds of thousands of small businesses and entrepreneurs in communities of all sizes. Our mission is to advance public policies that support economic competitiveness and prosperity for all Canadians.

Crucial to this mission is a strong telecommunications industry that invests heavily in network infrastructure across the country. Businesses today see enormous opportunities to use digital technologies to improve the quality of life for Canadians – whether it's expanding access to health care, making workplaces safer, reducing waste and pollution, or giving their customers new products and experiences. But these innovations depend on having access to the most advanced telecommunications networks, not only in urban cores, but in remote and currently underserved regions.

We are worried that the government's proposed new Direction will undermine the case for investing in this infrastructure. The way it is written suggests that Canada will abandon its longstanding policy of encouraging facilities-based competition in the telecommunications industry, despite the policy's strong track record. Today, the industry has multiple competitors in all major markets, employs many thousands of Canadians, and invests billions of dollars every year in maintaining, upgrading and expanding network infrastructure. In fact, Canada now has among the highest per capita rates of telecommunications investment in the world. Moreover, the share of Canadians with access to advanced broadband and wireless networks is growing steadily, while the latest handsets and communications services are readily available.

Rather than continue with a policy that has delivered these positive results, the proposed Direction will encourage regulatory decisions that promote the resale of telecommunications services by those who do not make network investments. We fear this will undermine the fundamental economics supporting ongoing network investment and force Canada's facilities-based competitors – established and new – to scale back their spending. Reduced investment will negatively impact the availability of advanced broadband technologies, especially in smaller communities and rural areas. This will slow the ongoing evolution towards fibre-connectivity and 5G wireless networks and exacerbate Canada's urban-rural divide.

International experience supports these concerns. Regulators in Australia, New Zealand, and the UK are proponents of facilities-based competition. A 2016 case study<sup>1</sup> of the European Union found facility-based competition to be associated with higher investment levels by both incumbents and new entrants. Service-based competition, on the other hand, was linked to lower investments.

Maintaining high levels of industry investment is critical to implementing the federal government's Innovation and Skills Agenda and to reaching the laudable goal of ensuring that 100% of Canadians have access to high-speed Internet by 2030. Canada's current policy regime has successfully created a group of facilities-based competitors that are ready to lead the way forward with new investments. What they need is assurances that regulators will not stand in the way of reasonable returns.

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<sup>1</sup> Wolfgang Briglauer, Klaus Gugler and Adhurim Haxhimusa, "Facility- and Service-based Competition and Investment in Fixed Broadband Networks: Lessons from a Decade of Access Regulations in the European Union Member States" (2016) 40:8 Telecommunication Policy 729.

I urge the government to revisit the proposed Direction and reassert the importance of facilities-based competition in Canada's telecommunications industry. We cannot risk falling behind in the investments we need to make sure Canadian businesses, workers, and communities across the country can thrive in this age of digital transformation.

Thank you for taking these views into consideration.

Sincerely,

A handwritten signature in blue ink, consisting of several overlapping, stylized strokes that form a cursive name.

**CC:** The Hon. Navdeep Bains, PC, MP, Minister of Innovation, Science and Economic Development

Rémi Massé, Parliamentary Secretary to the Minister of Innovation, Science, and Economic Development