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Chair: Mrs. Sherry Romanado



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• (1105)

[English]

The Chair (Mrs. Sherry Romanado (Longueuil—Charles-LeMoyne, Lib.)): Good morning, everyone. I call this meeting to order.

Welcome to meeting number 10 of the House of Commons Standing Committee on Industry, Science and Technology. Today's meeting is taking place in a hybrid format pursuant to the House order of September 23.

The proceedings will be made available via the House of Commons website. Just so that you are aware, the webcast will always show the person speaking rather than the entire committee.

I'd like to give the members an update on the schedule because we've had some changes. If you'll bear with me, I'd like to provide that to you.

For the INDU members, as you know we passed the motion on Tuesday last week. Just so that you know, all four witnesses have accepted the invitation to appear. The problem has been scheduling. The clerk and I have been working on this since the minute the motion passed. Right now this is where we stand. Again, I'm assuming that INDU is going to be sitting on Tuesdays and Thursdays from 11 o'clock to 1 o'clock in the new year, but things may change. I want you to bear that in mind.

Right now, with respect to the vaccine manufacturing study, we have the PHAC president for Tuesday, January 19. This is an added meeting date if we can get authorization for a hybrid sitting. We also have Minister Hajdu for Tuesday, January 19, on that added meeting date—again if we get authorization for a hybrid sitting. Minister Bains, unfortunately, was not available this Thursday and we couldn't move our INDU time slot. We were even trying to see if we could switch with another committee or even add another time slot this week, which wasn't possible, unfortunately, but he's given us three meeting dates when he is available for the first three meetings when we're back in January. Minister Anand is scheduled for Thursday, January 28.

With respect to the affordability and accessibility study, as you know, we had the representatives from Bell scheduled on December 1, but we had that Standing Order 106(4) meeting, so they had to be rescheduled. They are holding Tuesday, January 26, for them to come back.

I want to give you guys all of the information that I have. We've also, as I said, inquired with the clerk, the head clerk and the whips, about adding meetings next week, week of December 14. Negotia-

tions amongst the parties are still ongoing, including discussions about extended hybrid sittings.

I've also let all of our witnesses know that, should we be able to add additional meetings outside of those dates, I will be back in touch with them to see if we can get them in sooner.

I wanted all of you to have the same information at the same time so that you can schedule accordingly. For any updates that we have, the clerk will definitely send you that as soon as we have it.

With that, I'd like to go over the rules for today's meeting.

Members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. You have the choice at the bottom of your screen of the floor, or English or French. For members participating in person, please proceed as you usually would with the whole committee meeting in person in the committee room. Keep in mind the directives from the Board of Internal Economy regarding masking and health protocols.

Before speaking, please wait until I recognize you by name. If you're on the video conference, please click on the microphone icon to unmute yourself. For those in the room, your microphone will be controlled as normal by the proceedings and verification officer.

I remind you that all comments by members and witnesses should be addressed through the chair and that your mike should be on mute when you are not speaking.

With regard to the speaking list, the committee clerk and I will do our best to maintain the order of speaking for all members. If there are any changes, please notify the clerk and he will notify me accordingly.

As is my normal practice, you will see the yellow card when you have 30 seconds remaining in your intervention, and I will wave the red card for when the time for your intervention is up. I ask that you please respect the time limits so that all of the members can get their questions in.

The House of Commons Standing Committee on Industry, Science and Technology is meeting today to continue its study on the accessibility and affordability of telecommunications services in Canada.

I'd now like to welcome our witnesses, and for the sake of time I won't read all of your titles, because they are in the notice of meeting.

From the Canadian Communications Systems Alliance, we have Mr. Jay Thomson and Mr. Ian Stevens; from the Public Interest Advocacy Centre, Mr. John Lawford; from the Canadian Wireless Telecommunications Association, Mr. Robert Ghiz and Mr. Eric Smith; from TekSavvy Solutions, Mr. Andy Kaplan-Myrth; from FSET Information Technology, Mr. David Brown; and from the Samuelson-Glushko Canadian Internet Policy and Public Interest Clinic, Mr. Tamir Israel.

With that, each witness will present for up to five minutes, followed by our rounds of questions.

We will start with the Canadian Communication Systems Alliance. You have the floor for five minutes.

Mr. Ian Stevens (Board Member and Chief Executive Officer of Execulink Telecom, Canadian Communication Systems Alliance): Thank you, Madame Chair, and committee members.

My name is Ian Stevens, and I am a board member of the Canadian Communication Systems Alliance, or CCSA. I'm also CEO of Execulink Telecom, based in Woodstock, Ontario. Joining me today is CCSA's CEO, Jay Thomson.

Thank you for this opportunity to participate in your important deliberations regarding accessibility and affordability of telecommunications services. Mr. Thomson and I last appeared before you in May, when you were examining Canada's response to the COVID-19 pandemic. At that time, Mr. Thomson presented our opening remarks. Today, it's my turn.

CCSA's members are small and mid-sized, facilities-based communications companies serving mostly rural parts of Canada. Our members are helping the government achieve its universal broadband goal by delivering speeds to their communities that meet or even exceed the 50/10 objective. Our members would also like to bring the benefit of mobile competition to the communities, but in most cases the incumbents are preventing them from doing so.

It is an economic reality in this country that government help is needed to extend broadband to Canadians who remain unserved or underserved. Government help is also needed so that more Canadians can access affordable, competitive mobile telephone services. I think it is fair to say that, because of my role at Execulink and in the CCSA, I've gained intimate and practical knowledge regarding what works and what is still needed to advance accessibility and affordability in telecom services in rural Canada. My company has benefited from various government funding awards to help extend or improve broadband service in southwestern Ontario, including in a first nations community. None of those projects has had a standalone business case. It took government funding to make them happen.

Central to government funding programs is the goal of affordability. Generally, affordability is assessed by comparing prices to be charged in a rural setting to urban prices. We are aware of situations where Canadians are paying more than \$200 per month only to receive extremely poor service. Those situations certainly don't

seem affordable to us. That said, we caution against strictly using urban prices as a benchmark for affordability in rural Canada. As committee members from rural ridings know, the time and cost to visit every constituent's door increases in proportion to the geography they serve. The same applies to us. While urban ISPs contemplate doors served per kilometre, in rural areas it's kilometres per door.

On a per customer basis, it simply costs more to build and maintain broadband services in rural areas. That means that absent government funding to offset those extra costs, rural retail prices must often be higher than urban prices, even with one time capital injections available from current broadband funding programs. That means that unless the government is willing to subsidize rural operating costs, funding programs should not penalize rural providers who must charge higher prices to serve their rural customers.

Madame Chair, we share the view of other witnesses that Canada needs a coordinated broadband strategy. Currently, we have a myriad of municipal, provincial and federal funding programs. They all have similar goals and strong support, but those programs are not aligned on their timing, their objectives, their focus or their commitment to execution. As a result, they compete for potential applicants' limited time and resources. For that reason, we fear that in terms of solving the rural broadband problem, those various programs will actually end up accomplishing less than the sum of their parts.

Furthermore, given that consumer consumption always increases and that it takes time to build out advanced broadband networks, government programs need to invest, not to meet today's needs but those of 2030 and beyond. To that end, fibre should always be the first choice where possible. All other technologies will require constant reinvestment and a hope for technology breakthroughs to meet the needs of Canadians. In our business, hope is not a strategy. Fibre, however, will continue to serve Canadians for generations to come.

CCSA thanks you again for this opportunity, and we look forward to responding to your questions.

• (1110)

The Chair: Thank you very much.

We now move to Mr. Lawford. You have the floor for five minutes.

Mr. John Lawford (Executive Director and General Counsel, Public Interest Advocacy Centre): Thank you, Madam Chair.

The Public Interest Advocacy Centre is a national non-profit and registered charity that provides legal and research services on behalf of consumers, particularly vulnerable consumers. PIAC has been active in the field of communications law for over 40 years.

Yes, we have a broadband problem in Canada. PIAC has consistently attempted to change this at the CRTC; in submissions to the government; as part of coalitions with ACORN Canada and the National Pensioners Federation, making demands for low-income and seniors groups; and with OpenMedia in a project called Get Canada Connected during COVID-19. However, progress is elusive, even to the point of our despair.

Lower-income Canadians' broadband Internet penetration levels are lower than the highest-income Canadians'; that is 70% versus 98%. Similarly, rural and remote access is considerably lower, especially at the higher speeds, such as the CRTC's 50/10 Mbps target speed for broadband Internet. Rural access is at less than 40%, and first nations land at less than 30%, whereas the all-Canada average, including urban, is well over 80%.

Full coverage of rural and remote Canada is promised only for 2030, at which time the 50/10 Mbps speed undoubtedly will be inadequate for the functions of broadband then enjoyed in cities. This too late.

PIAC believes that broadband access and affordability can be addressed in four steps.

First, Canada should adopt a clear universal service obligation, such as that in the United States. The broadcasting and telecommunications legislative review panel's final report in January of this year recommended a USO for Canada. Canada has never had a legislatively mandated universal service obligation. A true USO means that telecommunications carriers and regulators and the government must all work together to deliver service to all. It's the law. It can be measured and enforced. Parliament can make this change. Without this legal basis, nothing else is possible.

Second, PIAC recommended in two research reports on telecommunications affordability that communication services are affordable where, as a guideline, they make up, at most, 4% to 6% of a household's income. Low-income Canadians pay about 8% to 10% of their household income at the moment, often for fewer services than other Canadians. Canadians are willing to pay through their telecommunications bills a small levy to support affordable, universal service for Canadians. PIAC asked Environics Analytics to survey Canadians in 2016 as part of submissions on a major broadband proceeding at CRTC. It showed that most Canadians would pay 50¢ more per month on their Internet bills to support low-income broadband access. Without a statutory USO with affordability as a clear goal, the CRTC consistently has refused to create a subsidy for broadband access. This divides Canadians.

Third, the CRTC has undermined the broadband project by recently moving to phase out the national contribution fund or NCF. For decades, the NCF has funded above-cost-operation telephone service in rural areas. It should be transitioned to a broadband contribution fund. Operating broadband in rural areas will always be above cost in many places. The U.S. has such an operating support for broadband. Without it, we will have networks that we cannot afford to run outside of cities.

Fourth, Canada continues to pump billions of dollars into building broadband infrastructure. Everyone in this space—from the smallest co-operatives to the largest telcos, consumer groups, MPs—complains about the fragmented Government of Canada operation of these funds. Bring them all under one body and call it a “broadband czar”.

Those are our thoughts, and we look forward to your questions.

Thank you.

• (1115)

The Chair: Thank you so much.

Our next witness is the Canadian Wireless Telecommunications Association.

You have the floor for five minutes.

Mr. Ghiz, you're on mute.

Mr. Robert Ghiz (President and Chief Executive Officer, Canadian Wireless Telecommunications Association): Perfect. There we go.

Thank you very much. It's a pleasure to be here this morning to represent the wireless industry.

[Translation]

The pandemic has altered the lives of Canadians. It has changed the way we work and access critical services. It has also highlighted how vital telecommunications services are to our health and safety, and to sustaining the country's economic and social activity.

[English]

During the current crisis, Canada's facilities-based providers have been focused on ensuring Canadians can continue to rely on the high-quality networks and services to which they are accustomed. Years of investing in network infrastructure have resulted in networks that are incredibly resilient in the face of intensified traffic and altered use patterns. In fact, according to Accenture, 90% of Canadians surveyed said their service provider's response to COVID-19 has met or exceeded their expectations.

While the vast majority of Canadians have access to reliable advanced telecommunication services, the impact of COVID-19 also highlighted the fact that some communities remain underserved. Closing this gap in connectivity is imperative, as the future of many communities and their citizens depends on having Internet access and being able to participate in the digital economy. That is why, working in partnership with governments at all levels, Canada's facilities-based carriers are continuing to expand telecommunications infrastructure into hard-to-serve communities.

But just as today's network performance is the result of past policy decisions, securing access to high-quality and affordable telecommunications services for all Canadians requires the right regulatory framework, one that balances the three key objectives of quality, coverage and affordable prices. Canada's telecommunications policy has long recognized the importance of facilities-based competition as the best way to drive competition while also encouraging the level of private sector investment needed to build world-class networks.

In Canada's mobile wireless industry, facilities-based competition has resulted in intense competition amongst national and regional network operators. This has led to a steady decline in prices, higher-quality service and expanded coverage. For example, according to the CRTC, the price per gigabyte of mobile data declined by 56% from 2015 to 2018. PwC has also recently estimated that the introduction of unlimited data plans is expected to reduce the cost per gigabyte of data by 50% from 2018 to the end of this year.

Equally important, Canada's facilities-based carriers are continuing to invest in upgrading and expanding the reach of Canada's wireless networks. To date, Canada's facilities-based wireless providers have invested over \$50 billion in capex to build Canada's wireless networks and have also spent more than \$20 billion on spectrum costs.

• (1120)

[Translation]

As a result of these investments, Canadians enjoy the world's top-performing mobile wireless networks. Even in rural areas, Canada's networks perform better than the overall networks in most other countries, including all but one of the G7 countries.

[English]

With respect to coverage, the CRTC reports that 4G LTE coverage was accessible to 99% of Canadians where they live as of the end of 2018. CRTC data also shows that rural 4G LTE coverage has expanded rapidly over the last few years, increasing from 35% in 2013 to reaching 95% of Canadians living in rural communities in 2018.

We know that more work and more investments are needed to expand our networks and to introduce 5G, yet at a time when investing in the expansion and upgrading of Canada's digital infrastructure is more important than ever, regulatory measures are being considered that, if they proceed, will discourage private sector investment.

With respect to the wireless industry, the CRTC is currently deliberating over whether to require wireless network operators to give resellers, or MVNOs, access to their networks at regulated rates. PwC has estimated that this will have a major impact on capital expenditures and that the communities that would be disproportionately impacted by these cuts are those that are the hardest to serve.

While other developed countries are implementing policies and strategies to accelerate the rollout of 5G, it is estimated that mandating MVNO access in Canada would reduce the effective coverage of 5G in Canada by 2030 by 20%. This delay would result in an estimated cumulative loss of at least \$57 billion in GDP. Simply put, mandated access, and particularly mandated access at less than arm's-length negotiated rates, negatively impacts network operators' capacity to invest in digital infrastructure.

Let's build a stronger Canadian digitization economy.

Thank you.

The Chair: Thank you very much, Mr. Ghiz.

We now move to Mr. Kaplan-Myrth.

You have the floor for five minutes.

Mr. Andy Kaplan-Myrth (Vice-President, Regulatory and Carrier Affairs, TekSavvy Solutions Inc.): Thank you, Madam Chair, vice chairs and committee members. Thank you for the opportunity to speak with you.

My name is Andy Kaplan-Myrth, and I'm VP of regulatory and carrier affairs at TekSavvy, an independent Canadian Internet and phone service provider based in southwestern Ontario and Gatineau, Quebec.

TekSavvy has been serving customers for over 20 years. Today, we have over 300,000 customers in every province.

TekSavvy has always defended some very important values concerning the Internet. We believe in affordable, competitive access, as well as network neutrality and our customers' privacy rights.

In our home territory in southwestern Ontario, we connect customers on network facilities that we build. Elsewhere to reach customers where we have not built our own networks, we buy wholesale services from the large incumbent carriers.

Wholesale-based competitors like us serve more than one million households and businesses. Seven months ago, I told this committee that the entire framework for telecom competition was at a breaking point, and competitors were at risk of disappearing. The situation today is dire. If we don't protect broadband competition, especially during the uncertain times of this pandemic, then the result will be less affordable Internet services and less investment in underserved communities.

Since my last appearance here, TekSavvy and the competitive broadband industry have seen some victories and some setbacks concerning wholesale rates and our access to modern fibre networks.

After the CRTC set final rates in August 2019 correcting inflated rates going back four years, TekSavvy passed on the benefits of those lower rates to consumers by lowering our prices. However, the incumbents got a stay preventing those rates from coming into effect. They also filed multiple appeals.

In August, the Governor in Council responded, and while it did not overrule the CRTC, its decision adopted the incumbent's false position that investment and competition need to be balanced against one another.

In September 2020, the Federal Court of Appeal unanimously dismissed the incumbents' appeals to that court saying their issues were of dubious merit.

Despite that ruling, competitors had another setback when the CRTC suspended their own final rates leaving in place the inflated rates that the CRTC itself already found to be unjust and unreasonable.

Meanwhile, the incumbents have been targeting us with anti-competitive retail prices that are below the wholesale rates that they themselves inflated. In February, TekSavvy filed a complaint with the Competition Bureau seeking an inquiry into some of that anti-competitive conduct.

After being squeezed by incumbents for years and having lowered our prices expecting the CRTC to implement its final rates, by late 2019 TekSavvy was losing money. As a result, TekSavvy had to make the difficult decision to raise prices twice in the past year. In some cases, absurdly, we have had to set our prices higher than those of the same incumbents who sell us wholesale services, and now instead of losing money, we're losing customers.

We remain hopeful that the CRTC will reaffirm its earlier rates, and that the government will trust these experts who have spent years poring over thousands of pages of evidence. Those rates that

are retroactive correction to years of overpayments are critical, not only for competitors, but also for connecting people in underserved areas.

Despite the widespread rhetoric, TekSavvy and other competitors do invest in network facilities. TekSavvy's five-year investment plan funded by ownership and private capital totals over \$250 million including over \$100 million for high-speed network facilities connecting 60,000 residents and businesses in underserved communities across southwestern Ontario.

As important as they are, all of these issues about wholesale rates are for access to aging legacy technologies. Five years ago, the CRTC determined that competitors need access to modern fibre to the home networks, but we still don't have access to them, and that's not to mention the mobile sector where we have no service-based competition and where mobile rates remain some of the highest in the world.

Canada needs to accelerate the deployment of networks to underserved areas. To accomplish that, a broadband plan must include competition by design, and it must reject the false dichotomy between investment and competition.

• (1125)

TekSavvy is demonstrating that we can have both.

Thank you. I look forward to your questions.

The Chair: Thank you very much.

We will now go to Mr. David Brown.

You have the floor for five minutes.

Mr. David Brown (Chief Executive Officer, FSET Information Technology): Good morning everyone. I'm happy to be here to speak to everybody about the work we've been doing and some of the challenges we have in northwestern Ontario.

My name is David Brown. I'm the CEO and co-owner of FSET. We're an information and technology services company based out of Kenora, Ontario. We provide services and solutions to both the public and private sectors. We have more than 50 years of combined experience within law enforcement and another 40-plus years in health care.

Our customers are based out of Ontario, Manitoba and Quebec. We're doing some other work, not just here in Canada, but conversations outside.

I've spent the last two decades navigating infrastructure and communication challenges for indigenous communities across the region here in northwestern Ontario and advocating on their behalf. In September 2020, I reached out to our local telco within the region in an attempt to purchase and upgrade much-needed bandwidth for the community of Pikangikum First Nation.

At the community's discretion and direction, and with money in hand, my instructions were to do whatever I had to do to improve their situation. This was my first attempt at improving their situation, but it certainly was not theirs. The lack of usable broadband available to them meant an inability for programs and services to be delivered to the community—for health, education, mental health, justice, local government, financial services, legal services and the list goes on. We're not talking about recreational use. We're talking about quality of life here for these communities.

These attempts through traditional means, as was often the case in my 20 years of trying to do this for indigenous communities, did not prove fruitful. Traditional services, terrestrial-based solutions, telcos.... This is what it's like for indigenous communities to try to work with the big three companies within Canada.

It is not because they provide the best or most reliable service. It is not because they are cost-effective. It is not because they are agile and scalable. They are just the opposite. It is a slow, cumbersome process and there is no sense of urgency with regard to their deliverables. Terms and contracts are lengthy; they are typically looking for seven or ten years. They're looking for early termination fees ranging anywhere from 50% to 100% of those seven to ten years. Pricing is uncertain and additional fees and services often can and do apply.

When we reach out to a telecommunication company, this process, from the initial dialogue and conversation to the actual delivery of service, takes years. I've never been involved in a situation, a dialogue or a project where this hasn't taken a couple years or three years. Sometimes it can prove even more difficult. This isn't just putting a shovel in the ground. This is just having dialogue to move these types of things along.

This is what "business by default" looks like. Again, there simply have been no other options. These companies don't have to be efficient; they just have to be the only game in town. Therefore, it's the only option for indigenous services to work with and try to navigate. That hasn't worked. It doesn't work, and it's kind of the way things have been.

After eight months of trying to navigate this process yet again for the community of Pikangikum, the telco came back and offered 10% of the available bandwidth that this community already had. The 100% they had before I started this process was not enough. It was one gigabit of fibre to the community and that was being shared through a cable plan for 400 homes and businesses and 2,000 residents.

I liken that to an apartment complex or a hotel with hundreds of users all turning the tap on and you're trying to get water out of a half-inch main. When that happens, nobody gets water. In this case, nobody was getting Internet access.

That led us to approach things differently. I began the process of trying to reach somebody within SpaceX to think differently and to do something differently. Twenty years was enough for me, so I was tapping out.

Satellite is agile, scalable and timely. With SpaceX Starlink, the cost and pricing can be easily calculated per home, per community and per region. This is true whether it's one, 100 or 1,000 homes. From the time of purchase to serviceability, the process takes days, not years. The installation is simple. It takes minutes before you're online, and just about anyone can do it.

• (1130)

Consumers are under no obligations, there are no contracts and commitments, there are no early termination fees and seasonal use is an option.

Thanks, everyone. I look forward to your questions and providing feedback on the work we did in Pikangikum.

The Chair: Thank you very much, Mr. Brown.

We will next go to Mr. Israel.

Mr. Israel, you have the floor for five minutes.

Mr. Tamir Israel (Staff Lawyer, Samuelson-Glushko Canadian Internet Policy and Public Interest Clinic): Thank you, Madam Chair and members of this committee.

My name is Tamir Israel and I am staff lawyer with the Samuelson-Glushko Canadian Internet Policy and Public Interest Clinic. CIPPIC is a public interest technology law clinic based at the University of Ottawa Faculty of Law. I'm testifying before you today from my home in Ottawa, which sits on unceded territory of the Algonquin nation.

Thank you to the committee for inviting us to testify before you today and for undertaking this important study. The ongoing pandemic has emphasized the essential nature of connectivity in Canada. Now, more than ever, it is critical to ensure that Canadians may not only access, but also afford, data services.

Canada continues to experience connectivity challenges, particularly in remote regions. Our communications complaints body recently identified quality of service problems to be the third highest source of complaints against fixed and mobile companies. Better documentation of current and ongoing challenges is an important step to securing high-speed connectivity for all Canadians.

Additionally, the government's ongoing contributions to improving Canada's broadband networks are encouraging. However, this investment falls short of ambitious programs undertaken by governments such as Australia.

While investments through programs such as the universal broadband fund will certainly improve Canadians' ability to connect to the Internet, a national approach might allow for more strategic government investment and deeper coordination across different funding programs.

A national broadband plan could also address the management of key inputs such as spectrum and access to poles in a more strategic and coordinated manner. Such a plan might best be generated through the auspices of the CRTC, even if elements of its implementation might be dependent on other government bodies.

CIPPIC is encouraged to see affordability acknowledged as a central pillar in this committee's study. Particularly in mobile, Canadians receive a poor value proposition by global standards. In fact, Canada's mobile costs have been persistently high in comparison to its global peers for years and it's important to understand the different ways this undermines adoption.

First, many Canadians do not subscribe to mobile data at all, despite relatively wide national coverage. Canada is 31st out of 37 OECD countries in terms of the number of per capita subscribers.

Second, even among subscribers, high costs prevent Canadians from realizing the full potential of mobile data connectivity. Canada ranks 30th out of 36 OECD countries in terms of the amount of data used by an average subscriber in an average month, with Canadians using only half of the OECD average.

We continue to fall further behind our peers on both these metrics with average mobile subscriptions and data usage growing faster throughout the OECD region than in Canada.

Finally, Canadian subscribers are too often called upon to choose between maintaining their mobile plan and other life necessities. A 2019 survey found that 20% of Toronto respondents who have had to skip meals indicated that their monthly phone bill was the cause. Rent and transportation were the other two top causes.

Connectivity is essential, and Canada must do more to improve accessibility and affordability of its services. First, it is critical that we apply the wholesale model that Canada has developed in the wireline context to mobile. There is an upper limit to how many wireless competitors will organically emerge. Mandating virtual access to mobile networks on a cost recovery plus basis is the only way to increase connectivity. Similarly, unused spectrum in rural areas must either be returned or be made available to competitors on a wholesale cost-recovery basis.

Second, we should consider amending the telecommunications policy objectives to emphasize factors such as affordability. Too often, critical affordability measures are defeated out of concern that these measures might impact investment in rural broadband. This largely presents a false choice.

Profit margins among incumbent service providers in Canada are high by global standards. A 2014 analysis by The Brattle Group found that Canadian wireless providers were generally earning above normal returns on their investments. These profit margins are sufficiently healthy to absorb a more competitive marketplace driven by wholesale on a cost recovery plus basis in both wireless and wireline.

Our current regulatory model for connecting remote areas relies on a combination of service targets and a contribution fund to incentivize projects that would help meet these targets. If incumbent providers continue to respond to regulatory pressures by favouring world-leading profit margins and shareholder dividends at the cost of rural investment, the CRTC should increase the contribution fund amounts accordingly or move toward imposing direct service obligations.

Finally, a fairer mechanism for imposing temporary wholesale rates should be explored. The rate-setting process is inherently complex and it is important that the process is ultimately correct. However, the current process incentivizes incumbents to propose favourable rates at the outset, and as a result, competitors are persistently at a disadvantage.

● (1135)

Given the degree to which a regulatory system is currently dependent on wholesale mechanisms from imposing price discipline, it is of central importance to expedite the availability of more accurate wholesale rates while the final rate-setting process resolves itself.

Those will be my opening comments for today. Thank you. I welcome your questions.

Thank you for your patience with my audio difficulties.

The Chair: Thank you very much, Mr. Israel.

We'll now start our round of questions. The first round goes to MP Dreesen. You have the floor for six minutes.

Mr. Earl Dreesen (Red Deer—Mountain View, CPC): Thank you very much, Madam Chair.

I think what we have heard this morning from all of the witnesses is that there is quite a disconnect between some of the things that we hear are going to happen, whether it be government policy or telcos' commitment to grow broadband or some of the other things that are happening on the ground. This is part of what this study is about. We've been working on this for years to try to get some sort of certainty associated with it. I think we've heard the diverse views here today.

I'd like to start my questioning, first of all, with TekSavvy.

As you pointed out, in early 2019 the CRTC announced a review of the Canadian wireless industry, with the goal of enabling competition through mandated wholesale services for competitors known as the mobile virtual network operators, or MVNOs. Of course, we've seen the same process unfold for Internet service providers.

In your final submission to the CRTC in July 2020 you noted:

The value MVNOs can provide to Canadians comes not from simply lowering prices but rather from creating new, innovative services that target underserved [or] unserved market niches that are not being served by existing players.

We hear on the other side that these MVNOs are causing issues for other groups.

First of all, I wonder if you could expand on the idea. How would MVNOs do a better job of providing wireless services in, let's say, central Alberta than the incumbent carriers?

• (1140)

Mr. Andy Kaplan-Myrth: Thanks for the question.

The CRTC has taken a preliminary view that MVNOs are a necessary way to introduce more competition in the mobile mobile market, and now of course we're waiting for a decision from them.

MVNOs, of course, as a competitive option should introduce pressure on pricing, so there are obvious competitive benefits for consumers in terms of pricing. TekSavvy also highlighted that MVNOs serve particular market niches, typically in countries where MVNOs exist. Actually, we saw this play out in Canada, not with MVNOs, but with small, facilities-based providers like WIND. I'm going by memory because we have to go back several years to remember these mobile competitors that were introduced—Public Mobile, maybe. They appeared in cities. They were facilities-based. They introduced a competitive alternative, and they eventually were swallowed up by Canada's dominant incumbents.

MVNOs serve communities, but of course within the footprints where the MVNO networks exist. In rural Alberta, of course, an MVNO with wholesale services is only going to be available in communities where a dominant provider already has a network with services. But when we talk about surveying communities with unmet needs, then we're talking more about population groups. It may be affordability, but may also be particular cultural groups. It may be particular subsectors of society who are just not served by the existing packages that are available.

Mr. Earl Dreeshen: Going back to TekSavvy again, in February 2020 you filed a complaint with the Competition Bureau against Bell and Rogers, as you mentioned in your remarks, for anti-competitive practice.

Can you tell the committee what the gist of that complaint was?

Mr. Andy Kaplan-Myrth: Yes. Just to pivot away from mobile, of course, and to look back at the wholesale services that are really our bread and butter, it specifically addressed Bell and Rogers' anti-competitive practices where, on the one hand, in front of the CRTC, they have inflated for years the wholesale rates that wholesale-based competitors like us pay. That effectively keeps our competitive pricing high and doesn't allow us to discipline their pricing, thus keeping all retail Internet pricing high across Canada.

At the same time, starting in about 2016, Bell and Rogers both introduced flanker brands, which pretend to be competitors but are not. They're brand names of the incumbents. They introduced pricing that was specifically targeted at undercutting competitors' pricing. So, on the one hand, they were keeping our pricing high, and on the other hand, they were undercutting us in the market.

Our complaint makes the argument that this is an “abuse of dominance”, and it has really squeezed us for the past years. We are unable to price our services low enough to discipline their pricing, which is what a competitor should be able to do, and if we raise our pricing so that we operate within the rates they've set, then we lose customers, because flanker brands are offering services at lower rates.

• (1145)

Mr. Earl Dreeshen: I see that I only have a few seconds left, so I will save them for a later round.

Thank you.

Mr. Andy Kaplan-Myrth: Thank you.

The Chair: Thank you so much, MP Dreeshen.

We'll now go to MP Erskine-Smith.

You have the floor for six minutes.

Mr. Nathaniel Erskine-Smith (Beaches—East York, Lib.): Thanks very much.

My first question is for Mr. Ghiz. We have a long-standing reseller market when it comes to broadband. Why would a reseller market be so detrimental when it comes to mobile?

Mr. Robert Ghiz: That's a great question.

I think you have to look at the difference between the two. In the mobile market, it's a relatively new market [*Technical difficulty—Editor*] speaking. It's really only 15 or 20 years old. Both governments' policies over the last 20 years have been to create more competition to help have quality networks that have good coverage and are affordable, but it's taking a while for that to happen.

You have the three incumbents, and you also have the new entrants that are now coming in and starting to make a difference in the marketplace. If mandated MVNOs come in.... We do have MVNOs already in Canada. We just don't have mandated MVNOs. If mandated MVNOs come in, the first target they're going to go after is these new entrants or regional players that are trying—

Mr. Nathaniel Erskine-Smith: Can I pause this just for a second, though? All of those arguments apply to the mandated reseller space for broadband, so why are you making these arguments in the one context but not in the other?

Mr. Robert Ghiz: Number one, I just represent the wireless industry, and there are differences associated with it, so I can just really answer from the wireless industry. Plus, you're also seeing it on the other side on broadband as well, which is not necessarily my file, but when that TPIA decision came out we saw where all players, including the smaller players in Canada, were arguing that it was going to hurt them in being able to make investments.

At the end of the day, the point we're trying to make is that mandated MVNOs in the wireless industry will first of all undercut the new entrants, which are the ones that are creating the competition that's helping to drive down prices and to do more build-outs across the country.

Mr. Nathaniel Erskine-Smith: Thanks very much.

For TekSavvy, does any of that make sense to you?

Mr. Andy Kaplan-Myrth: No. I think the premise of your question is right. These are essentially the same economics at play and the same policy goals. We're trying to introduce competition on networks that do require investment. Wholesale-based service-level competition is a proven way to do that on broadband networks, and essentially the same thing will also work on mobile.

Mr. Nathaniel Erskine-Smith: If anything, it seems to me that we're squeezing the resellers. To your point, TekSavvy, and the wholesale rate conversation, walk me through why as a consumer—I used to be a consumer of TekSavvy—I haven't seen increased quality, but I've seen significantly increased costs over the last five years. Why would that be?

Mr. Andy Kaplan-Myrth: Can I clarify something? Do you mean increased cost from competitors or overall in the Internet services?

Mr. Nathaniel Erskine-Smith: Overall, in home Internet services. I can't find, in my home Internet service, at least, in the east end of Toronto, a package that I paid for five years ago for less than, say, \$60.

Mr. Andy Kaplan-Myrth: Right now, home Internet services are really dictated for competitors and for retail by the wholesale rates that incumbents have set. By inflating those wholesale rates—which really goes back all the way to 2011 probably, or earlier, when those rates were first set—they have really prevented competitors from being able to introduce pricing that would discipline Internet pricing across the board.

You can just look at what the CRTC's current wholesale rates are for specific services that you buy. You can look at what the CRTC found would be a just and reasonable rate for that service in August 2019, and those are the rates that incumbents are fighting. If you do look that up, you'll see specific prices that are lower than the pricing that's in the market. Of course, it's more complicated than just the individual speeds, but it will give you an idea of the disparity between the inflated rates and the just and reasonable price that it ought to be.

• (1150)

Mr. Nathaniel Erskine-Smith: Very simply, you would say that the CRTC should stick with what they initially proposed?

Mr. Andy Kaplan-Myrth: I think the CRTC has all the evidence in front of them to make a decision. They spent three years

deliberating about it and arrived at a decision in August 2019. I think that when they do the same thing in a review—which is not about policy goals of how much Bell or other companies should be able to invest—they'll arrive at the same pricing.

Mr. Nathaniel Erskine-Smith: Mr. Ghiz, I don't want to put you entirely on the spot, but I did read recently in the Financial Post that Rogers and Telus received, I think it was \$63 million, from the wage subsidy but then Telus paid out dividends. That makes me uncomfortable.

Does it make you uncomfortable?

Mr. Robert Ghiz: I can't answer questions about individual member of our association.

Nonetheless, I believe you were at the committee hearing the other day when the chair of the CRTC, Ian Scott, was there. He talked about how our industry has stepped up to put out programs to help individuals and customers, as well as companies, in health care and governments, during COVID-19. So our industry did respond to some of the issues out there.

The Chair: Thank you very much.

[Translation]

Mr. Lemire, you may go ahead. You have six minutes.

Mr. Sébastien Lemire (Abitibi—Témiscamingue, BQ): Thank you, Madam Chair.

I want to start by thanking you, Madam Chair, as well as Mr. MacPherson, the clerk, for trying to fit a square peg in a round hole, so to speak. Your efforts in that regard are very appreciated.

I would kindly ask the witnesses to keep their answers brief, because there will be a lot of back and forth. You all raised so many interesting points, particularly regarding competition.

I am going to start with you, Mr. Stevens.

My team and I have met with members of your alliance in Quebec. You mentioned the importance of government funding to ensure rural prices are in line with urban prices. Affordability is not the only consideration. Geography comes into play as well. To offset those extra costs, you need top-up funding from the government, unless it is willing to subsidize rural operating costs, which would mean higher prices for customers at the end of the day.

Is the situation equal on both sides? Obviously, the answer is no. Is the situation fair and equitable? There again, the answer is no. You also said government investments must address the needs of the future. Basically, that means investing in fibre optics, which differs from SpaceX's strategy. I would like you to elaborate on that.

You said fibre technology would serve Canadians for generations to come. The problem we are discussing today is the accessibility and affordability of high-speed Internet. Do the programs provided by the federal government and its various organizations cover that problem as far as mobile networks are concerned?

[English]

Mr. Ian Stevens: I'll dive into the use of fibre optics as the technology of choice that I talked about.

The programs that Execulink has taken advantage of are fibre first. It's been a long-standing position of the CCSA that threshold facilities are the best way to get sustainable, long-term, broadband services delivered to Canadians.

Mr. Lemire, there are some other questions buried in your ask and I didn't quite catch them all. Is there a particular area you want to dig into, and I'll focus on that?

[Translation]

Mr. Sébastien Lemire: Yes, please. I am especially interested in the programs.

Would you say the programs are the biggest barrier to accessible and affordable services for all Canadians in rural areas?

[English]

Mr. Ian Stevens: I think where we and our members are investing is in our communities. We stop investing when the business case dies or the retail rate and the cost to build and serve our networks don't connect. That's where the programs that we and other CCSA members have been accessing have been bridging the gap. They've been helping us with one-time capital injections to build beyond the traditional geographic boundaries in areas where the costs per kilometre to service every home otherwise don't make the business case come true. That's where we've been focusing.

Within those programs, as I mentioned in my remarks, as part of the funding application there is generally an ask on what your retail rates are going to look like for the next few years. They do test that. Whether it's municipal, federal or provincial, so far what we've seen is a test for affordability to make sure that when they do fund it, the funding group has a sense of whether or not it will make sense for the people who get connected at the end of the wire.

• (1155)

[Translation]

Mr. Sébastien Lemire: Do you and your members feel that wholesalers are hindering small distributors? Do you sense that is ultimately the problem, here in particular, when it comes to connecting all Quebecers and Canadians?

[English]

Mr. Ian Stevens: I missed the first part in the translation. I apologize. Are you talking about wholesalers for small operators?

[Translation]

Mr. Sébastien Lemire: Yes.

[English]

Mr. Ian Stevens: Thank you.

The wholesale regime that TekSavvy has been addressing today is focused on the large incumbents. There has been a need and a desire for many of the networks that have been funded from the public sector to have an open access policy. I don't know examples of operators who have tried to access that, so I can't really comment on wholesale access to small network provider networks.

[Translation]

Mr. Sébastien Lemire: Thank you, Mr. Stevens.

I have one last question for you. How many of your members have filed complaints against wholesalers? Are there many who would like to file a complaint, but can't for lack of time or money? What problems do they run into?

[English]

Mr. Ian Stevens: Today I'm focused as a representative of CCSA. I can't really speak to wholesalers' ability to complain. Perhaps a different witness could address that.

The Chair: Thank you.

Our next round of questions goes to MP Masse.

You have the floor for six minutes.

Mr. Brian Masse (Windsor West, NDP): Thank you, Madam Chair, and for the updated schedule as well.

Mr. Lawford, successive governments have collected around \$22 billion in revenues from selling the spectrum, which is public space and an asset. Not all of that has gone back into providing services. There have been a series of programs rolled out over the years.

I'm wondering what your thoughts are on the upcoming spectrum auction. I believe that the process we have is broken. It's incurred additional costs for consumers. I think other countries have used more of an RFP process that guarantees the use of the spectrum you purchase within the time frames and reaches citizens in areas as an obligation. It also has some obligations on the cost structure, and it would be a better approach. I'm just curious to know your thoughts on that.

Mr. John Lawford: I believe there should be more conditions in the spectrum auction regarding rural build-out.

There should also be a process for "use it or lose it" spectrum. Often it is sat upon, with big plans to put into practice that are not followed up on by the industry department.

The question of whether you should change the process from an auction to something more like a beauty contest, which is what I think you're referring to, is a really fraught one. Years ago, PIAC opposed moving to an auction model for the reasons you give, which is that you lose control to some extent and it becomes an economic exercise. The economic incentive of making money from this thing outweighs all of the other concerns.

This committee can certainly recommend putting very stringent coverage requirements for those getting spectrum, and also for “use it or lose it”. That has not always been adhered to in the past, so I would definitely encourage this committee to consider that recommendation.

Changing the auction is probably a little too far down the track by this point.

• (1200)

Mr. Brian Masse: Thank you for that.

Mr. Ghiz, maybe I can get your opinion on “use it or lose it” and also on the spectrum auction.

As far as I'm concerned, we've created toll booths in the sky. It's really important to recognize that even before the pandemic, broadband and access at an affordable rate had become an essential service for Canadians, especially as we had moved to more online services before COVID-19, closing bricks and mortar government services and then more schooling and so forth. Then with COVID, it has gone on.

Mr. Ghiz, what is your opinion with regard to “use it or lose it” in your association?

Mr. Robert Ghiz: I take your point and agree with it concerning the costs associated with spectrum in Canada. You and I have had this discussion many times. You've had some interesting ideas on how to use those dollars.

You're right, though; it has been more than \$20 billion. We're probably the most expensive country in the world when it comes to our spectrum costs. Obviously those costs are passed along to the customers, and we think that making spectrum cheaper and more available is something that would help reduce costs and increase build-outs.

As you know, some of my members have some differing opinions on spectrum, so I have to be a little careful about going into details. Those, however, are my general comments with regard to spectrum.

Mr. Brian Masse: I know it's difficult, because there are so many opinions and players. What I'm looking at is a spectrum auction that perhaps takes less revenue in the forefront but has some obligations for base services for Canadians as part of the obligation.

Again, of the \$22 billion the government has brought in, only a fraction has been used in a series of subsidiary programs to try to fill in the black holes that are difficult to make revenue from because they're rural, different challenges, or whatever.

Let me ask Mr. Kaplan-Myrth this. If your situation doesn't change, do you support a stronger CRTC view of regulation right now? Is that something that would be...having the regulator have a stronger position to be able to make decisions that are quicker and more enforceable in the market to ensure competition?

Mr. Andy Kaplan-Myrth: The short answer is that I think the CRTC has the tools it needs to do this. It has the authority to regulate in these areas and could make decisions more quickly. I imagine it is operational challenges that prevent doing so.

I don't think that major systemic change is required to do it; it may be more a question of what the expectations are. The one thing I would say about it is that the CRTC has the authority to bring administrative monetary penalties against parties under certain circumstances, and it has not done so in at least the telecom regulatory space. We think that could be an important way to ensure compliance with regulatory obligations.

Mr. Brian Masse: Thank you.

Mr. Brown, how do you view—?

The Chair: Unfortunately, Mr. Masse, you're out of time completely.

Mr. Brian Masse: I'm sorry, Madam Chair. I didn't see you; I don't have you on my screen.

Thank you.

The Chair: That's no problem.

We will now start our second round of questions.

The first set of questions goes to MP Nater.

You have the floor for five minutes.

Mr. John Nater (Perth—Wellington, CPC): That's wonderful. Thank you, Madam Chair.

Again thank you to all our witnesses. We have a large panel today and a great discussion so far.

I want to start briefly with Mr. Stevens and Mr. Kaplan-Myrth. Both of you represent businesses located in southwestern Ontario. I'd be curious whether both of you had applied to the connect to innovate program for projects in southern Ontario, and whether either of your businesses were successful in those applications.

Mr. Ian Stevens: Thanks.

Execulink has applied through SWIFT and our funding the last few years has come through the SWIFT program, which is funded both provincially and federally, and I think the federal portion is coming from ISED. I'm not sure that's tied directly to CTI, but it's tied to a similar funding envelope.

• (1205)

Mr. Andy Kaplan-Myrth: TekSavvy has also applied to SWIFT, and they awarded some SWIFT funds for network builds, including at an indigenous community on a reserve at Moraviantown and other places in Chatham-Kent through connect to innovate, as well as for fixed wireless services. And, of course, the new universal broadband fund includes a rapid response stream that is very interesting to us, as we have a number of projects that could be developed very quickly if you could just bridge that gap.

Mr. John Nater: Thank you for that, Mr. Kaplan-Myrth. That was where my next question was going to go, namely, whether there was the intention to apply through that program. I'm glad to hear that it is the intention.

Mr. Stevens, is that the same plan for you with Execulink and a number of your members? Are you aware if organizations have already applied to that program?

Mr. Ian Stevens: At Execulink we're studying the programs carefully, including the rapid funding stream, which has some aggressive deadlines for construction and completion. We're reviewing them carefully. I really can't speak for other members. Perhaps Mr. Thomson can weigh in if he has knowledge he can share.

Mr. Jay Thomson (Chief Executive Officer, Canadian Communication Systems Alliance): We know that many of our members are quite interested in the new funds and appreciate that changes have been made to try to reduce the complexity of the application process. We anticipate that many of them will be filing something by the deadlines.

Mr. John Nater: Thank you for that, and I do appreciate the comment on the aggressive deadlines. I would be curious to circle back in the months to come to see how those deadlines are being met.

I do want to turn to Mr. Brown and the partnership with SpaceX. I'm very well aware that the first receipt of the hardware is very recent, but I would be curious to know how that is going thus far. Has it been successful in implementing the project on the ground?

Mr. David Brown: No, once the ISED approvals came, the units shipped right away. We took receipt of them here in Kenora and then booked flights up to Pikangikum. Within 20 minutes of being on the ground, we went from the airport to the health hub. We unboxed the unit on the ground outside; ran cable inside to draw power and we were video conferencing from Pikangikum. It really is that simple, as it's been designed to be. It's everything they say it is and more. The first 15 units we installed with the community over the course of three days to build capacity in the community. We had members of the community assist with those deployments. There really isn't much to it. A ridgeline mount goes on the roof. There's no penetration. You don't have to drill into the roof. If you run the cable inside, you plug it in and away you go. Those members started doing the installations for the community. They're now on their way to 60 units deployed in total and they've requested more units from SpaceX, which we're discussing with them to procure on their behalf. That agreement is directly between SpaceX and the community of Pikangikum. We're not a partner reseller in any way.

Mr. John Nater: Thank you for that.

I've got about 30 seconds left.

Following up on that, what are the download and upload speeds looking like so far in the community?

Mr. David Brown: We're seeing about 130 or so down. SpaceX Starlink is the better than nothing beta. They're saying anywhere from 50 to 150, but I think they're being kind and very cautious. We were seeing speeds above 100 Mbps and 20 and 30 up. I think of equal or more importance is the latency. The latency has been around 30 milliseconds or so. That allows them to do business in real time.

Mr. John Nater: Thank you.

I would just note that right now on Parliament Hill, my speed is about 79 Mbps, so that's good to know.

Mr. David Brown: There you go.

The Chair: Thank you so much.

We'll now go to MP Jaczek. You have the floor for five minutes.

Ms. Helena Jaczek (Markham—Stouffville, Lib.): Thank you, Madam Chair, and thank you so much to all our witnesses.

I would like to ask Mr. Lawford a few questions. I was pleased to hear about your partnership with Acorn, an organization with which I'm very familiar. I'm glad to hear you're assisting them.

You made four recommendations. First of all, you referred to a universal service obligation, something that is present in the United States. Could you elaborate as to exactly what this entails and how it's working? Is it enforceable? Just give us a picture of it.

● (1210)

Mr. John Lawford: The United States has a universal service obligation, which they put in their act many years ago. It requires all U.S. citizens to have an affordable and upgraded connection to telecommunications services, which the FCC has interpreted as including broadband and wireless. Therefore, they have undertaken at the FCC a number of auctions of spectrum, as well as a number of rollout programs in some key areas such as education, schools, medicine, what they call down there "tribal lands" and another rural program, to try to get everyone who has challenges or special needs onto the network more quickly. They have a whole broadband plan.

I don't know if the committee is aware that the U.S. national broadband plan, which was written a number of years ago, cost \$1 billion to write, but they do have a game plan. They're following it more or less, and they have made great strides.

We don't have a national broadband plan, and the reason is that although there is a policy objective in the Telecommunications Act that talks about affordable access for all Canadians in rural and urban areas, it is one among seven other objectives. It often gets crowded out because other objectives are competing, if you will, for the regulator's time.

That really puts a wrench into the CRTC's efforts to do things like mandate rollouts of programs in rural areas, whether they're below cost or not, to create subsidies and funds to either support user access or to support the companies. As I said, these companies are trying to operate in areas where—let's face it—they're going to lose money because there are not enough customers and a lot of costs to backhaul the data to the larger urban centres. That will always be the case.

We're missing the key legal piece, and that's why I'm trying to address this committee to think about a recommendation to Parliament—I know it's difficult—to go back and amend the Telecommunications Act.

I believe the U.S. section is 47 USC.... I'll find it for you, but it's one of those things that has been in law there for a long time.

Ms. Helena Jacek: Thank you for that.

In your view, has this made a substantial difference for those potentially marginalized communities or those with inadequate access to date? Has it really has made a difference in the U.S.?

Mr. John Lawford: Yes, because it's the legal basis for taking all of the other planning that you need to do—building, supporting through subsidies and finally getting it into people's hands through buying subsidies. Without that, no one can make the private companies that run our system do anything at the end of the day. That's the key piece that's legally missing, and then the coordination I mentioned through a broadband plan and a dedicated department to run it would help a lot.

Ms. Helena Jacek: Thank you.

Your second recommendation was essentially that everybody pay a little bit more to ensure that, again, the hard to serve have funds available to implement broadband access. You quoted an Environics survey that in fact reinforced the position that a majority of people would actually support that, which, in a way, is not surprising because I think we all have far flung relatives and friends, and we want to communicate with them whether we're in an urban area or not.

In just 30 seconds, you mentioned a fund that the CRTC is phasing out. Could you just give us the name of that fund and a little bit more info?

Mr. John Lawford: The national contribution fund was in place for 30 years for rural telephone service. The CRTC decided, when broadband came along, to phase it out. We believe that was a huge mistake. We believe it should have been continued, and broadband funding added to it, and that it's totally achievable at a cost of about \$1 to \$2 at most per subscriber.

The Chair: Thank you very much.

[Translation]

Mr. Lemire, it is your turn. You have two and a half minutes.

• (1215)

Mr. Sébastien Lemire: Thank you, Madam Chair.

I'm going to turn to Mr. Brown. Thank you for your recommendations. You and I have a very similar take on the situation.

When companies want to provide connectivity in the regions, one of the big problems they encounter is access to infrastructure, the poles and networks of the big providers.

It looks a lot like abuse of dominance to prevent competitors big and small from entering the market. It seems to fit the description of an anti-competitive practice under the act.

Do you see it as an anti-competitive practice?

[English]

Mr. David Brown: I certainly think that what I would call “business by default”, at least here in northwestern Ontario, is essentially a monopoly. We just don't have choices or options.

I think the use of satellite Starlink's SpaceX technology allows, and is the only path forward, for at least indigenous communities and perhaps rural municipalities. Delivering this in a timely manner, scalable, without terrestrial-based solutions is probably the only way that's an effective use of taxpayer dollars to invest in something that's going to help these communities.

I think there is an advantage there. When I look at the universal broadband fund, from my understanding of it—and I'm by no means an expert—the only application that would make sense for indigenous communities to apply for is the rapid response stream. That rapid response stream allows them to apply because of the on-premise component of the Starlink kit, but we have to do that in a quick turnaround. These communities need to understand what they're applying for. The deadline is January 15.

I really think that a lot of this wasn't necessarily intended, but it's written for telecommunication companies; it's not written for SpaceX Starlink. If the goal is to bring Internet and broadband access to these indigenous communities, they're typically closed over the holiday season for two weeks, like many of us taking holidays. They have to navigate COVID and community shutdowns, and we're asking them to do something online, which there is irony to because they don't have that access right now.

Hopefully, we can get some funding through the rapid response stream for these communities. It is not necessarily first-come, first-served, but it is first in, first out, and I think they're at a disadvantage when it comes to that.

[Translation]

The Chair: Thank you very much.

Mr. Sébastien Lemire: Thank you.

[English]

The Chair: Our next round of questions goes to MP Masse.

You have the floor for two and a half minutes.

Mr. Brian Masse: Thank you.

I'm going to go back to Mr. Lawford with regard to his suggestion for a broadband czar.

Would that position be time limited? Would it be something where you would have some type of a structure of consultation?

I'm interested about that as a coordination piece. We have so many moving parts with programs that are sunseting and with some that are continuing and so forth. Can you give us a little more detail on that, please?

Mr. John Lawford: Our frustration at the moment is that some pieces are run out of the CRTC and some out of ISED. I'm making it up a bit on the fly, Mr. Masse, to be honest, because we don't have a national broadband plan that has tapped a particular agency to do this. Whoever it is, or whichever ad hoc department it is, I hope they would be able to coordinate separately from the CRTC and industry because of the parochialism in those two areas, and I hope they would be able to contact and work with the provinces.

Mr. Brian Masse: Thanks for that.

I come from the auto sector, where we've had an auto czar off and on at different times to help coordinate the moving parts of multi-jurisdictional trade and cross-border issues and so forth. It's a worthy idea to explore, even if it were to be a transitional piece to create a working plan.

I know my time is up, Madam Chair.

Thank you very much for that.

The Chair: Thank you very much.

We will now go to MP Sloan.

You have the floor for five minutes.

Mr. Derek Sloan (Hastings—Lennox and Addington, CPC): Thank you; I appreciate it.

I'm going to ask Mr. Kaplan-Myrth a few questions.

In regard to the CRTC's 2019 decision, as far as I understand it, the rates have not, obviously, been implemented yet, and there was a court decision that upheld the rates. Now we're seeing the CRTC review their initial decision that was upheld by a court.

Is there any good reason for the delay in implementing the rates right now? If you could comment on that, that would be great.

• (1220)

Mr. Andy Kaplan-Myrth: No, we don't think that there is.

When the decision came out in August 2019, the incumbents appealed it three different ways. The government petition has been shut down. They lost in the federal court of appeal process. Now they're appealing that to the Supreme Court, but we'll have to see if the Supreme Court will even hear it. Of course, they also asked the CRTC to review the decision.

Where it stands right now is that they asked the CRTC to put a stay on those rates while the CRTC is reviewing it, and the CRTC granted them that.

TekSavvy is actually challenging that decision in court now. We've asked for a judicial review of that decision to stay the rates because we think it is unreasonable. This isn't the basis of our complaint, but at a high level, essentially competitors have carried the burden of these higher rates all of this time and the CRTC already found that those rates are going to come down. Decision after decision is finding against the incumbents.

We think it's certainly time to implement those rates or at least part of those rates on a going-forward basis, if nothing else, so that we can start to see the benefits of those rates in competition.

Mr. Derek Sloan: Can I ask you to expand on something? You had stated earlier that the minister's statement that came out in August on balancing investment with affordability is incorrect or a false dichotomy. Could you quickly summarize why that's the case?

Mr. Andy Kaplan-Myrth: The Governor in Council's decision did not overturn the rates. I want to acknowledge that. They said that this is already before the CRTC and they should take care of it. In that sense, that's a good thing, but it also made a comment that the rates may not in all cases have achieved the right balance between investment and affordability.

That was a real concern to us and to the competitive industry as a whole because it signalled that the government doesn't seem to have recognized or acknowledged that competitors—when we get those lower rates and when we get the refunds for the money that we've overpaid all of these years—will invest that money in the economy, including in facilities and in our networks.

To arrive at a conclusion that low rates necessarily mean low investment basically requires that you also believe that only the incumbents are going to invest. Yes, the incumbents get lower revenues from wholesale rates than they do from a captured retail market where they can charge whatever they want. Of course, that's the idea of competition. When competitors are healthy and participating in that economy and their revenue is not tied up in incumbents, then competitors can also take that money and invest it in facilities and in their communities in different ways.

That was our concern about that statement from the government. It reflected this idea that there's this balance or trade-off between investment and competition.

Mr. Derek Sloan: You've described a very troubling scenario whereby the larger providers are undercutting their own wholesale rates which they've argued to maintain.

Can you quickly explain how we know that the wholesale rates are inflated? It seems the CRTC is taking over a year to decide this, finally. How do we know? It seems like it should be fairly obvious. Can you, as an expert, explain that?

I believe we're out of time. I apologize.

The Chair: Just answer very quickly.

Mr. Andy Kaplan-Myrth: I would say it's a technical issue. Read the CRTC's decision on costing. They're the experts. Just look at the public version of TekSavvy's complaint to the Competition Bureau, which details how we arrive at our pricing and how it is then impossible for us to compete, really, with the flank of brands and with Bell and Rogers in particular.

• (1225)

Mr. Derek Sloan: Thank you very much.

The Chair: Thank you.

We'll now go to MP Jowhari. You have the floor for five minutes.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Madam Chair; and to the witnesses, thank you for your testimony. It was quite informative.

I'll start with Mr. Lawford.

You categorized the funding that the government has provided as "fragmented". Can you explain why you feel that it's fragmented and explain what drivers you use to call it fragmented?

Mr. John Lawford: Sure.

The reason it's fragmented is that it doesn't all come out at once. We've had a number of programs, such as connect to innovate, connecting Canadians, the universal broadband fund and the Canada Infrastructure Bank funding, bump up at different times. The other main part of the process that makes it uncoordinated is that it is application driven. I shouldn't use the word "beauty contest", but that's what it is. You put in an application, and if your application is good, you get the money.

There are other ways to do this. There are reverse options. There are fewer categories of criteria that you need to satisfy, and you could probably have a more efficient system. It's for that reason.

It's also that the funding comes from at least two locations from the federal government: from the ISED division, and from the CRTC's ongoing broadband fund. Finally, there are provincial funds, often matching or not matching and different deadlines. Therefore, the coordination challenges with that, especially for a smaller community-based provider, are very difficult.

Mr. Majid Jowhari: Thank you.

From your point of view, who would be able to bring alignment to this funding?

Mr. John Lawford: It's tempting to want to leave it with the CRTC, because they are the natural regulator in this area. I don't believe they have the statutory authority at the moment. Perhaps the committee could consider that. However, the difficulty is that most of the funding comes through the federal government, where it should rightly be from, because when you're building things you want that to be taxpayer money and be accountable to the voters.

Without a national broadband plan, it's hard to know where to cut that off. That's why we suggested a neutral third party to at least temporarily be a broadband czar and get the whole house in order, and then perhaps we should think about legislation to formally give it to the CRTC.

Mr. Majid Jowhari: You talked about the legislation. What would be one of the key characteristics of that legislation?

Mr. John Lawford: If you were to take a look at the U.S. legislation, you'd see that it requires that funding be up to a certain standard. All Canadians would have roughly the same access to advanced telecommunications.

That's the way the U.S. law is structured. It has a joint federal-state board to work out problems between the two levels of government in the United States. I think that would be smart in Canada as well. It has special pillars for, as I say, education, health care and

indigenous access so that those issues are dealt with properly and not sidelined. Those are pillars of that system.

Mr. Majid Jowhari: Thank you.

Mr. Kaplan, I want to follow up Mr. Sloan's question. I'll put it to you in a little different way.

How do you drive your calculation for what the wholesale price should be? What drivers do you use?

Mr. Andy Kaplan-Myrth: Are you asking what the wholesale rate ought to be, or what our retail pricing—

Mr. Majid Jowhari: Yes, I'm asking about the wholesale rate.

My understanding is that the CRTC is setting out the wholesale rate or recommending it, and you didn't feel comfortable talking about what the drivers are, but you said that you have your own calculation. Therefore, what do you use as key drivers to calculate your wholesale rate?

Mr. Andy Kaplan-Myrth: There are a couple different things going on here. Just to be clear, the wholesale rate set at the CRTC is the price at which companies such as TekSavvy buy incumbent services. That's a rate that incumbents propose and the CRTC approves, often after some adjustments. There's a long-established process to figure out what those wholesale rates ought to be. It's called "phase II costing". It goes back to the seventies for other telecom services. It is strong, and we think it should stay in place, although—

• (1230)

Mr. Majid Jowhari: I'm going to run out of time very quickly. Do you think it should be updated?

Mr. Andy Kaplan-Myrth: I think there are some updates that could be made to make it more effective, which TekSavvy has argued for in an ongoing proceeding.

Mr. Majid Jowhari: Thank you.

The Chair: We now start our third round, with the first round of questions going to MP Cumming. You have the floor for five minutes.

Mr. James Cumming (Edmonton Centre, CPC): Thank you, Madam Chair.

Thank you for your work, Madam Chair, in trying to get the ministers here as soon as possible, and accepting that we'll see them in the new year.

I do want to take a brief moment before I talk to the witnesses to put forward a motion on the table. It states:

That in relation to the study on the domestic manufacturing capacity for a COVID-19 vaccine, the COVID19 Vaccine Task Force members be invited to appear for one and a half hours, separately from other witnesses, at their earliest opportunity in January.

If there's no agreement on this point, you can consider this as a verbal notice of motion so we can consider it at the next meeting.

With that, I'll carry on to the witnesses.

I'd like to start with Mr. Brown. Congratulations on the work that you've done for the Pikangikum First Nation. It's really remarkable because this really isn't your core area of work, providing wireless and broadband installations.

I do want to come back to a point that you made, your struggle with dealing with the major companies in trying to get something going for that group. Can you elaborate a bit on what the barriers were? What is it that you saw that it could have been different and would potentially have gotten service into those communities more quickly, rather than coming up with the alternative with satellite—albeit it looks like it might be a very reasonable solution?

Mr. David Brown: Yes, sir. Thank you.

Well, I began down this path in September 2019, a year ago, so 14 or so months ago. The usual or traditional means of reaching out, engaging with basically the community, tasked me with doing whatever I could to change their situation. I would consider it to be desperate: The playing field was not level, is not level, for these communities, and they were in lockdown and isolation.

When I started down this path, it was prior to COVID, and COVID only accelerated that.

After eight months of engaging with the local telecommunications company, they came back to me and offered me 10% of the one gigabit that was in the cable plan. At that point, having done this a number of times, my frustration, my inability to go back to the community and feel like I had done my part to solve this issue, had reached new heights.

My feedback typically over the years has been met with indifference. We've often been told there's no money in servicing these communities. I think it was Albert Einstein who said that "No problem can be solved from the same level of consciousness that created it." To me, I have no sympathy for telecommunications companies in Canada based on what I've faced and had to deal with, and what I see these communities fighting for. They have had the opportunity to be competitive. They have had a head start on everyone else. They have had funding and support from taxpayers, provincial governments, federal governments, and have failed to deliver solutions and alternatives to indigenous communities.

They're not asking for 4K Netflix; they're asking for the ability to hold court proceedings in a community. Pikangikum hasn't had a court in nine months because of the lockdown. We did a proof of concept the same day we went into that community, and we did a three-way video conference with the Kenora courthouse, the Pikangikum bail bed program, and a representative from the indigenous justice group in Toronto. The person with the poorest connection was the individual in Toronto.

We basically got tired of banging our heads against the wall to solve a problem, approaching it in the same way that it's always been approached, using terrestrial telecommunication companies to do it with. We went to SpaceX and it was like a barn-raising. I was working with friends and colleagues, and they took this project on with as much passion and desire as I had, as much need as the community had. That's not what it's like to work with telecommunications companies. I've taken years off my life, and I'm only 26 years old—

Some hon. members: Oh, oh!

Mr. David Brown: —so I can't do this every time for every community. But I did want to do it once, one time, to show every indigenous community what was possible, and that there is another way to do business and another option out there. It is no longer business by default and it is not a monopoly. You can look at other options and other avenues.

● (1235)

Mr. James Cumming: Thank you for your efforts.

Mr. David Brown: Thank you, sir.

The Chair: Thank you so much.

We'll now go to MP Lambropoulos.

You have the floor for five minutes.

Ms. Emmanuella Lambropoulos (Saint-Laurent, Lib.): Thank you, Madam Chair.

I'd like to thank all of our witnesses for being with us today to answer our questions.

One of the things that stood out to me in testimony—it's something that is pretty obvious on its own, but when it was mentioned, it stuck out even more—is the fact that many Canadians who miss meals often do it because they're paying for their phone bills. Obviously, that's not fair.

I feel that, during COVID-19, the gap between people, the inequality gap, has become even bigger because many people need a good connection in order to participate in our economy. If we look even at the education system, many Canadians are going to eventually be turning to online education in the coming months because we don't know exactly where we're headed. That's a very big concern to me.

We often say that all Canadians have access to education. If we turn and make it more online, then that won't be the case anymore, and not everyone will have equal access to getting past the barriers that currently exist for them.

Given that context, many of you gave us some examples of how our government can get involved in making sure that Internet connection is more affordable and that cellphone bills are more affordable. Minister Bains has committed to getting cellphone bills decreased by 25% in the next few years.

Do you have any suggestions that are not already being looked at that could lower the cost for lower-income Canadians? I also heard someone say that many Canadians wouldn't mind having an extra 50¢ added to their bills in order to help make up for those who can't. Are there any suggestions that haven't been mentioned yet that our government can implement to help make it more affordable?

That question is for anyone who wants to answer it.

Mr. John Lawford: With regard to the subsidies that we're discussing, those have all been suggested but not implemented.

There have been government programs trying to get \$10 Internet to Canadians of modest means; this would be voluntary from the companies. That is a good idea, but the difficulty is that it's voluntary, so some companies are not participating. It's limited only to Canadians who have children and who are receiving the Canada child benefit.

If this Internet plan that Minister Bains has been running, the connecting families initiative, could be widened to include all low-income people whether they have children or not, and if it could be made not optional for the telecommunications companies, that would help an awful lot. I don't think that was specifically mentioned, but that's an easy one to do, I think, although I'm sure the companies would have something to say about that. It would take some money, but it would be a great improvement to that program.

Ms. Emmanuella Lambropoulos: Thank you very much.

If anyone else wants to chime in, let me know, but I'll move to my next question.

Mr. Kaplan-Myrth, you've unmuted yourself. Would you like to add something?

Mr. Andy Kaplan-Myrth: Yes, I would just add that there are a number of piecemeal initiatives to lower prices, which are good for the outcomes that they have. I'm thinking about the minister's commitment to lower mobile prices by 25%, and the connecting families initiative is another good example. These are ends that could also be achieved through robust, stable competition. That is the goal of that.

The goal of lowering mobile prices is a good example. You're asking the same companies that have inflated prices on the one hand to voluntarily lower prices. Of course, they may do that. They are doing it in different ways, and they may reach those goals, but that's not the kind of systemic change that's going to sustain that pricing. That can only come from competition.

• (1240)

Ms. Emmanuella Lambropoulos: I would agree with you.

Mr. Robert Ghiz: May I just briefly add something?

I actually agree with Mr. Kaplan-Myrth there that competition—and, I would argue, facilities-based competition....

If you look over the last five years with declining prices, a lot of that can be attributed to the regional players coming in. It's been federal government policy now for the last 15 to 20 years—and all governments have supported it—that they've been trying to grow four players in each region. Because of that, we are starting to see prices come down.

Have they come down as much as everyone would like? Probably not. There is still more room to go, but I believe that facilities-based competition is the way to go.

[Translation]

The Chair: Thank you.

Mr. Lemire, it is over to you. You have two and a half minutes.

Mr. Sébastien Lemire: Thank you, Madam Chair.

My question is for Mr. Israel.

You said that the funding was too compartmentalized, that it does not help connect Canadians and that the funding needs to be brought together under a single national program.

Can you talk about the benefits of a single funding envelope?

[English]

Mr. Tamir Israel: A single directed program could be much more efficient in identifying where to direct funds, rather than relying on funding applications across the number of funding envelopes.

To give an example of something the current government has done with a directed funding initiative that's extremely helpful, the government has committed to connecting Iqaluit, which is in Nunavut, to a transatlantic cable that will give that city direct fibre access. That's a very targeted investment that the government identified for an area where the money could go to connect the city in a direct way that will improve connectivity issues in a remote area, and then they opened up an RFP for who wants to carry out that project that's been identified as a priority.

In contrast, the way it works now is that there are multiple, as you are aware, funding programs that different subscribers apply to with various projects, and based on the projects that are proposed and the existing priorities, the best ones are selected. But there's no overall mission or plan to identify where are the key areas with the most urgent gaps to fill. So it's very much left to what proposals come up.

Also, there's the issue of identifying different efficiencies around the use of spectrum. For example, perhaps a more efficient way to maximize the utility of spectrums is to force spectrum holders who are not building in rural areas to make that spectrum available to other municipalities or local indigenous groups to build their own infrastructure over that spectrum to address local needs while that spectrum is sitting unused on a cost-recovery basis.

Those types of solutions could emerge if a more strategic and holistic approach were taken to addressing where the actual challenges are, as opposed to just the current divergent approach that's being used.

[Translation]

Mr. Sébastien Lemire: Thank you.

[English]

The Chair: Our next round of questions goes to MP Masse.

You have the floor for two and a half minutes.

Mr. Brian Masse: Thank you, Madam Chair.

This is probably about my hundredth meeting on this subject matter, an effect of having been on the committee for so long. I've got to be honest: We have so many advantages even with our problems, and I hear the call for consumers to pay more to help others, but again, we're raking in billions of dollars from the spectrum auction and then we're throwing a whole bunch of different programs out there so that, again, it's almost like a dog's breakfast—I've used that term before—where we're trying to figure out how to plug all these things together.

So, quite frankly, I don't really have a question at this point, Madam Chair. I'll turn my time over. I like the idea of a czar at this particular point in time to help coordinate these things. It could be done not only for the build-out from the spectrum, but also for the hard stuff that then needs to be done on the ground, and the consumer aspect, etc., so that we can re-coordinate and pivot ourselves, especially because of the frustration with this and also the benefit because all of this is publicly regulated. We actually have some benefits. We have some great incumbents, and we have some great new entrants in the market, but it's got to be done in a fairer way.

I'll leave it at that, Madam Chair. I want to thank the guests, though, because it has been very worthwhile today.

• (1245)

The Chair: Thank you very much, MP Masse.

Our next round of questions goes to MP Sloan.

You have the floor for five minutes.

Mr. Derek Sloan: Thank you, Madam Chair.

I just have a couple of questions for Mr. Ghiz.

I understand, from your comments, that the Internet is not part of your portfolio. I just want to see if you had any comments on some of the earlier discussion on the inflation of wholesale rates and potentially even some of these large carriers undercutting their own arguments on what wholesale rates should be.

If you don't want to answer, that's fine, but I think you're the only witness here representing some of these larger carriers. So if you wanted to talk about that, I'd be glad to hear it.

Mr. Robert Ghiz: Yes. Thank you very much for the question and for giving me the opportunity.

I'll relate it to my files. That is, I think you can see a direct correlation between mandated MVNOs and the TPIA decision. It's really about prices that come in, that get regulated and that can be below market value. If someone has to sell for below market value, it will take away their incentive to go and invest. If they can't recoup that money, what's the point in doing it? Second of all, to go back to the MVNO argument on the wireless side, if you can be an MVNO and you can piggyback off of other networks, then that's even less of an incentive to go out and invest.

I've gone through some of the facts already. If you look at our coverage, I realize there's still more to do, but relatively speaking it's quite good. If you look at the quality of our networks, we have the fastest download speeds in the world. This all comes because of competition. I truly believe if you want to have quality networks

and see more build-outs happen so that more Canadians are connected, allowing facilities-based competition is the best way to go.

Mr. Derek Sloan: I have another question. You noted that in terms of the cost of cellphone service and the cost per gigabyte of data, the costs have been going down, but we're still lagging behind other countries. Costs around the world have been going down. How can we fix this?

You were talking about the need for an incentive to invest and so forth, but is it really practical to expect multiple different networks in every area of this country? I mean, we're a big country. I just don't know if that's practical in every single area of the country.

Mr. Robert Ghiz: That's a great question. I think when it comes to prices coming down, we've really just seen it over the last probably five to eight years where the new entrants, our regional players, have had the opportunity to start to make a difference. If you look at the percent of new customers they're picking up quarterly, it's way above where their baseline is. We're seeing that competition come in and help to drive down prices.

I'd like to point out that when I have meetings with my counterparts, whether in the U.S. or Australia, I ask them what the big issues are that they're dealing with, for example, when they go before a parliamentary committee or legislative committee. They say the problem they have to deal with is around pricing and coverage—the same thing we have here. We always think the grass is greener on the other side. Quite frankly, it's not. We are doing well in Canada. We can do better and there is more to do.

Mr. Derek Sloan: Thank you for that.

Madam Chair, I would like to share the rest of my time with MP Cumming, please.

The Chair: Go ahead, MP Cumming.

Mr. James Cumming: Great. Thank you, Madam Chair.

Mr. Lawford, in your testimony you talked about a broadband czar. One thing I've noticed is that we have a very diverse group of programs. You alluded to that. We have four or five different funds and different programs.

I understand the idea of a czar, but if this were all under one department, under one entity, with one minister accountable for a result, would you not think that would be a more efficient way? There would be one application process for us to be able to get the goal that I think all of us around the table want, which is to get better Internet service into these communities at a cost-effective rate.

• (1250)

Mr. John Lawford: Yes, I take your point about trying to change the structure. Trying to build the train while you're on the track, if you will, which is where we are, is difficult. Where do you locate that? It could be the ISED minister who has an extra coordination function.

I believe this committee could recommend a legislative change to the Telecommunications Act to make a legal basis for setting up a plan to get somebody in place to coordinate all of this. At the moment, the power is too diffuse. I hate to say it, but you end up with a diffuse, frankly, Canadian kind of solution, where everybody is pulling and pushing all the time. It's not very efficient. We need to get going on that.

The Chair: Thank you very much, Mr. Lawford.

Our next round of questions will go to MP Ehsassi.

You have the floor for five minutes.

Mr. Ali Ehsassi (Willowdale, Lib.): Thank you very much, Madam Chair.

Mr. Kaplan-Myrth, thank you for your testimony. You spoke at length about how the incumbents have been acting in an uncompetitive fashion. I'm wondering if you could expand on that for the benefit of all the members of the committee so that we have a better sense of the landscape. As well, what would be some of your suggestions to ensure that competition is a big part of this?

Mr. Andy Kaplan-Myrth: I've expanded on some of it. I'll go over some of that again. Let me know if there's any aspect of it that's especially unclear.

For our Competition Bureau complaint, the issue specifically is that Bell and Rogers have for years inflated wholesale rates before the CRTC, keeping competitors' costs high and ensuring that competitors' retail pricing also has to be high.

At the same time, especially over the past few years, they've introduced these flanker brands, which are specifically targeted at competing with competitors. They are really Bell and Rogers brands. Virgin and Fido are what I'm talking about. They act like they're competitors. People in the market even perceive them as being alternatives to the big providers. They are explicitly designed to compete with wholesalers. They undercut us on our pricing.

As for the way they do that, they really know what all of our costs are, right? We're buying services from Bell and Rogers at wholesale rates, some of them regulated and some of them unregulated. They know exactly what our costs are, and they undercut us right at that point. If the CRTC's final rates from August 2019 were implemented, that would do away with that strategy. We would then have the space to move to where we could price lower, and we think that all retail pricing would then come down. Effectively, we would be disciplining their pricing, whereas right now they're disciplining our pricing.

Mr. Ali Ehsassi: Having listened to your testimony, I think you would say that the manner in which they approach this is intentional, just to slow the process down and to make it anti-competitive.?

Mr. Andy Kaplan-Myrth: The way to look at it is that it is to their benefit to delay, because as long as they delay, they maintain the status quo, so I do think that's part of the strategy. Their flanker

brands undercutting us is explicitly part of their strategy. They say so in financial statements. They like to see negative wholesale, right? They like to see their wholesale business decline because they see that as gains for their retail side. The strategy for Bell to launch Virgin was specifically to attack competitors. That seems quite clear.

Mr. Ali Ehsassi: Thank you for that.

If we could turn to you, please, Mr. Brown, you also spoke about this very same dynamic. You were explaining to us that as you're trying to assist indigenous communities, specifically in Ontario, Manitoba and Quebec, you've come up against this very same dynamic. Would you care to elaborate on that and perhaps explain to us why you find that it's so time-consuming for you to provide services to the various communities you've been working with?

• (1255)

Mr. David Brown: Yes, sir. Thank you for the question.

There's no money in it for these telecommunications companies. That's their approach. Despite being funded in many, many cases by taxpayers to provide infrastructure, they simply don't have the desire to do so. It's about maximizing profits, not maximizing service delivery and coverage.

In a conversation yesterday with a member from a telecommunications company where I was once again trying to level the playing field, the feedback was that there's Vancouver, there's Toronto and there are a couple of speed bumps in Calgary in between, and the rest really doesn't much matter.

That approach is exactly why we are here and why these communities are where they are. It took a different approach to solve this problem and satellite-based solutions are that.

Thank you, sir.

Mr. Ali Ehsassi: Thank you.

The Chair: Thank you very much.

That ends our third round and our time for today.

I would like to thank the witnesses again for being here and the IT team and interpreters for your impeccable work, as always.

Just to let the committee know, on Thursday we are scheduled to review the draft report of the Investment Canada Act. If you haven't had a chance to read it, please make sure that you do.

If there are any changes to that schedule, we will definitely be in touch through the clerk.

I will confirm again that Bell will be with us on Tuesday, January 26.

Once again, thank you very much, and I call this meeting adjourned.

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