



House of Commons Standing Committee on Industry, Science and  
Technology (INDU)

## Study of Accessibility and Affordability of Telecommunications Services

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## ***Introduction***

Thank you Madam Chair and members of the committee.

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

2. I would like to thank 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.

## ***Providing High Quality Connectivity***

3. Canada continues to experience connectivity challenges, particularly in remote regions.

4. 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 important step to securing high speed connectivity for all Canadians.

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

6. 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.

***Affordability remains a central barrier***

7. 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.

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

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

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

11. 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).

***Regulatory Action Required***

12. Connectivity is essential, and Canada must do more to improve accessibility and affordability of its services.

13. First, it is critical that we apply the wholesale model 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 basis is the only way to increase competition. Similarly, unused spectrum in rural areas must either be returned or be made available to competitors on a wholesale cost-recovery basis.

14. Second, we should consider amending the Telecommunications Policy Objectives to emphasize factors such as affordability. Too often critical affordability measures are defeated out of concerns 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, and 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 basis in both wireless and wireline.

15. 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 towards imposing direct service obligations.

16. 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. Given the degree to which our regulatory system is currently dependent on wholesale mechanisms for 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, and I welcome your questions.

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