



Telecom Notice of Consultation CRTC 2017-112

PDF version

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Call for comments

Development of the Commission's broadband funding regime

Deadline for submission of interventions: 28 June 2017

[\[Submit an intervention or view related documents\]](#)

The Commission hereby initiates a proceeding to examine matters related to the establishment of the broadband funding regime, including its governance, operating, and accountability frameworks, as well as eligibility and assessment criteria for proposed projects.

Background

1. Telecommunications services play an important role in the lives of all Canadians. Modern telecommunications enable Canadians to participate in today's digital economy and provide access to services, such as health care, education, government, public safety, and banking services. As the regulator of Canada's communication system, the Commission seeks to ensure that all Canadians have access to a world-class communication system and engages in activities which, among other things, aim to ensure that Canadians are able to connect to quality and innovative communications services at affordable prices.
2. The Commission's mandate focuses on achieving the policy objectives established in the *Telecommunications Act* (the Act). For example, the policy objective stated in paragraph 7(a) of the Act is to facilitate the development of a telecommunications system that serves to safeguard, enrich and strengthen the social and economic fabric of Canada and its regions; and the policy objective stated in paragraph 7(b) is to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada.
3. In Telecom Regulatory Policy 2016-496, the Commission established the following universal service objective: Canadians, in urban areas as well as in rural and remote areas, have access to voice services and broadband Internet access services on both fixed networks and mobile wireless networks (referred to hereafter as

“the objective”).¹ The Commission further determined that it would establish a new funding mechanism to help (i) ensure access to the basic telecommunications services that form part of the objective, and (ii) close the gaps in connectivity.

4. The Commission stated its guiding principles for the development of the broadband funding mechanism, as follows:
 - the funding mechanism will focus on underserved areas in Canada;
 - the Commission will attempt to align its funding mechanism with the broader ecosystem of current and future funding and investments; and
 - to the greatest extent possible, the funding mechanism will be managed at arm’s length, based on objective criteria, and will be administered in a manner that is transparent, fair, and efficient.
5. The Commission stated that in some underserved areas, achieving the objective will likely need to be accomplished in incremental steps due to many factors, such as geography, the cost of transport capacity, the distance to points of presence, and the technology used.
6. The Commission also made the following determinations regarding funding applicants:
 - they will be able to submit proposals to build or upgrade access and transport infrastructure for fixed and mobile wireless broadband Internet access service; and
 - they are required to (i) secure a minimum level of financial support from a government entity;² (ii) provide a minimum amount of investment in their project; and (iii) demonstrate that the proposal would not be viable without Commission funding.
7. The Commission stated that project proposals would be subject to a two-stage process. In the initial eligibility screening stage, proposals must meet certain eligibility criteria. Eligible proposals that proceed to the next stage, the assessment stage, will be examined on their merits using weighted criteria.

¹ To measure the achievement of the objective, the Commission established the following criteria: (i) Canadian residential and business fixed broadband Internet access service subscribers should be able to access speeds of at least 50 megabits per second (Mbps) download and 10 Mbps upload, and subscribe to a service offering with an unlimited data allowance (associated quality of service metrics are to be established); and (ii) the latest generally deployed mobile wireless technology should be available not only in Canadian homes and businesses, but on as many major transportation roads as possible in Canada.

² In this context, government entities include, for example, federal, provincial, territorial, regional, and municipal entities; Aboriginal governments; community entities; and non-profit organizations.

8. The Commission also determined that the fund would involve two functions to be performed at arm's length from the Commission: the project management function (the implementation and operation of the competitive process, as well as the management of the funding agreements); and the accounting function (the collection of contributions and the distribution of funds). These functions could be conducted by a single third-party administrator, or separate administrators could be selected for each function. The Commission will retain oversight of the fund and will approve the projects to be funded.
9. In addition, the Commission stated that it would initiate a follow-up proceeding to examine its preliminary views, set out in the appendices to Telecom Regulatory Policy 2016-496 and in Appendix 1 to this notice, and other matters related to the establishment of the fund.

Issues to be examined

10. The Commission hereby initiates a proceeding to examine matters related to the establishment of the broadband funding regime, including its governance, operating, and accountability frameworks, as well as eligibility and assessment criteria for proposed projects.

Governance, operating, and accountability frameworks

Third-party administrator(s) and board(s) of directors

11. The Commission has generally had success in the past with non-profit corporate entities acting as third-party administrators for its various funding mechanisms, such as for its local service subsidy regime, Local Programming Improvement Fund, Broadcasting Participation Fund, the Canada Media Fund, and the Video Relay Service regime. The Commission has therefore set out its preliminary views in Appendix 1 to this notice regarding the responsibilities of the third-party administrator(s) and the Commission in administering the broadband fund.
12. The composition of the board(s) of directors is important in ensuring that they have the appropriate expertise and knowledge to fulfill their mandate and to eliminate the risk of conflict of interest. As well, in the case of the broadband fund, many Internet service providers will be both potential contributors and recipients.
13. Accordingly, the Commission will examine the following issues:
 - the appropriateness of its preliminary views regarding the responsibilities of the Commission and the third-party administrator(s);
 - whether there should be a single administrator/board or separate administrators/boards for the fund's project management and accounting functions;

- the composition of the board(s) of directors, including any eligibility criteria for board members;
- governance parameters, including membership, confidentiality provisions, and voting rules; and
- who should be responsible for the initial set-up of the non-profit corporate entity, including the filing of by-laws and other constitutive documents for approval.

Accountability and fairness

14. In Telecom Regulatory Policy 2016-496, the Commission determined that the appropriate structure and safeguards for the administration of the broadband fund would be put in place to ensure that the fund is operated fairly and efficiently. It further determined that these safeguards would include the establishment of an audit committee and a fairness monitor.
15. Accordingly, the Commission will examine the selection and tasks of the audit committee and the fairness monitor, as well as whether any other safeguards are required to ensure accountability and fairness.

Calls for applications

16. In Telecom Regulatory Policy 2016-496, the Commission determined that for the first five years of the fund, no more than \$750 million would be distributed: no more than \$100 million for the first year, an amount that would increase by \$25 million annually over the following four years to reach an annual cap of \$200 million. However, the annual increase is contingent on the Commission's review of the broadband fund in the third year to ensure that the fund is managed efficiently and achieving its intended purpose.
17. Accordingly, the Commission will examine whether the administrator for the project management function should issue only one call for applications for the first five years of the fund, or periodic calls for applications and, if the latter option is chosen, how many calls should be issued and when (e.g. annually or every two years).
18. It is the Commission's preliminary view that, given that each call for applications is resource-intensive and administratively complex, the initial call for applications should span multiple years of funding. This would give the administrator for the project management function the flexibility to consider both large, multi-year projects and smaller ones, while respecting the funding cap in any given year. If the funding regime is undersubscribed, the administrator for the project management function would issue a subsequent call for applications.

Distribution of funding

19. Under the current local service subsidy regime, contributions are collected and subsidy is distributed monthly in a relatively steady manner. The Commission expects that the distribution of funding under the broadband funding regime will differ significantly in the following respects:

- given the distinct nature of each application, it is likely that the lifespan of the projects selected will vary and that they will start and end at different times, which could lead to an uneven distribution of funding;
- the broadband fund may require fewer payouts during the year, but in large lump sums, for example, as project milestones are completed; and
- a pool of pre-approved applications may be established as a result of the call for applications, some of which could receive financial support in future years as more funds become available.

20. Accordingly, the Commission will examine how funds should be distributed in the implementation of the broadband fund.

Enforcement of funding agreements

21. In Telecom Regulatory Policy 2016-496, it was the Commission's preliminary view that the third-party administrator for the project management function would be responsible for managing funding agreements with successful applicants and monitoring the use of funds to ensure that funding agreements are fulfilled.

22. However, given that the Commission will approve the projects to be funded, a more direct enforcement mechanism could be used. For example, the third-party administrator could contractually enforce the funding agreement, or the Commission could impose a section 24 condition³ on all carriers that receive funds requiring them to complete the proposed project according to the funding agreement.

23. Accordingly, the Commission will examine what mechanisms would best ensure the accountability of fund recipients.

Collecting and reporting information from applicants/recipients

24. The third-party administrator for the project management function will collect information from fund applicants and recipients, but the Commission will remain the ultimate decision maker. Consequently, the proper functioning of the fund will require the Commission and the third-party administrator(s) to share information. In particular,

³ Section 24 of the Act states that the offering and provision of any telecommunications service by a Canadian carrier are subject to any conditions imposed by the Commission or included in a tariff approved by the Commission.

- the Commission may need to disclose to the administrator(s) data it has collected from telecommunications service providers, including information filed with the Commission that has been designated confidential pursuant to section 39 of the Act;
 - the third-party administrator for the project management function will need to provide the Commission with information filed in the applications to enable the Commission to properly review the recommendations and approve the projects to receive funding, including information that meets the criteria to be designated confidential pursuant to section 39 of the Act; and
 - the third-party administrator(s) will be responsible for a variety of reporting, some of which must be shared publicly, for example, reports on the results of the funding regime.
25. Accordingly, the Commission will examine (i) what strategies should be adopted to ensure the proper disclosure of information and documents, and (ii) how project and fund results should be shared publicly.
26. The Commission will also examine any performance measures that the administrator for the project management function should impose on fund recipients for reporting purposes (e.g. recipients could be required to participate in a broadband performance monitoring program).

Eligibility criteria

27. The Commission’s preliminary views on recipient eligibility criteria and eligible costs are set out in Appendix 1 to this notice. The Commission will examine whether these criteria are appropriate, and will examine the issues below.

Eligible geographic areas for funding

28. In many geographic areas that are currently underserved, such as those close to urban centres, market forces can reasonably be expected to deliver a level of service that meets the broadband portion of the universal service objective without requiring Commission or other government funding. In addition, some currently underserved areas are likely to achieve the objective with the support of other government funding or public initiatives.
29. In Telecom Regulatory Policy 2016-496, the Commission stated that the funding mechanism will focus on underserved areas in Canada, which, for the purpose of the fund, it defined as geographic areas that do not meet the criteria for the broadband portion of the universal service objective. However, the Commission did not define what would constitute a “geographic area.” It could follow the example of Innovation, Science and Economic Development Canada, in which geospatial data is mapped out in hexagonal units of 25 square kilometres.

30. Approximately 82% of Canadians, mainly those in urban and suburban areas, have access to broadband Internet access service that meets one of the criteria for achieving the broadband portion of the objective: download speeds of at least 50 megabits per second (Mbps).⁴ These speeds usually indicate the availability of wireline broadband network infrastructure (i.e. fibre-optic or cable), which is typically also capable of meeting other universal service objective criteria: 10 Mbps upload speed, options for unlimited data, and minimum quality of service metrics (which are yet to be established). The download speed criterion for fixed broadband Internet access service may therefore serve as a useful proxy indicator for meeting the broadband portion of the objective, and by extension, for identifying geographic areas that are ineligible for funding.
31. Long-term evolution (LTE) technology, which is currently the latest generally deployed mobile wireless technology, is available to 97% of the population.⁵ Areas outside the LTE footprint, including major transportation roads,⁶ can therefore be considered underserved.
32. Accordingly, the Commission will examine (i) how to define a geographic area, and (ii) how to determine that an area is ineligible for funding, or is likely to be served without Commission funding.
33. It is the Commission's preliminary view that the following criteria are to be used to determine eligible geographic areas for funding:
- the area does not meet the fixed or mobile (LTE in premises and on major roads) broadband portion of the universal service objective. The Commission would consider an area ineligible for funding if it has fixed broadband service available at a speed of 50 Mbps download, since it is expected that the networks serving the area would be capable of meeting the other criteria under the broadband portion of the universal service objective without requiring significant additional investment;
 - the area is not within a defined proximity (e.g. 2 kilometres) of fibre transport infrastructure, such as the nearest fibre transport point of presence,⁷ since the networks serving the area should be capable of connecting to the fibre transport infrastructure, thus meeting the other criteria under the broadband portion of the universal service objective without requiring significant additional investment; and

⁴ Based on information collected from the Commission's data collection system.

⁵ See the 2016 CRTC *Communications Monitoring Report*.

⁶ According to Telecom Regulatory Policy 2016-496, major transportation roads include key interprovincial and international corridor roads, key linkages to these roads from population and economic centres, and key linkages from major roads that provide the primary means of access to northern and remote areas.

⁷ A point of presence is a point in the network that connects the fibre transport infrastructure to the local last-mile infrastructure.

- other factors indicate that market forces or funding from other public entities cannot reasonably be expected to deliver service to the area meeting the universal service objective without the support of the Commission’s broadband fund.

Funding from a government entity

34. The Commission will examine two implementation issues resulting from its determination that applicants must secure funding from another government entity:
- the stage in the application or approval process at which applicants should secure this funding; and
 - a determination on the specific types of organizations that represent government entities (i.e. in Telecom Regulatory Policy 2016-496, the Commission included certain examples in its definition of government entities; see footnote 2 above).

Applicant investment

35. The Commission will examine how the requirement for applicant investment in proposed projects applies to public sector applicants that secure their own funding without private sector investment.
36. It is the Commission’s preliminary view that a public sector entity applying for funding will meet both the government funding and applicant investment requirements if it invests in the project itself, without requiring any private sector investment.
37. The Commission will also examine whether requirements, if any, should be imposed on public sector entities regarding the ownership of assets after they are constructed with the support of the broadband fund.

Amount of government funding and private sector investment

38. In Telecom Regulatory Policy 2016-496, the Commission stated that a “minimum” level of funding must be secured from a government entity, and that this funding, as well as the proposed investment from the applicant, must be “more than a nominal amount” and “commensurate with the nature of the project.” The Commission did not define the quoted terms.
39. Accordingly, the Commission will examine these terms for the purpose of developing the broadband funding regime.

Assessment criteria

40. Eligible proposals that proceed to the assessment stage will be examined on their merits using certain weighted criteria.

41. The Commission will examine whether its preliminary view on the assessment criteria, set out in Appendix 1 to this notice, is appropriate, and will examine the issues set out below.

Project types

42. The Commission will examine whether any of the following project types should be given priority for funding:

- fixed broadband infrastructure projects over mobile infrastructure projects;
- access infrastructure projects over transport infrastructure projects; and
- new builds over upgrades of existing broadband infrastructure (that do not currently meet the criteria for the broadband portion of the universal service objective).⁸

Project assessment criteria

43. The Commission will examine whether any other project assessment criteria, in addition to the criteria set out in Appendix 1, should be considered. These could include the following:

- Subscriber uses – Applications will be given more weight the greater the level of impact of the proposed project on the subscribers in the underserved area, including residential, small business, mobile wireless, enterprise/industrial, or other subscribers; and
- Network resiliency – Applications will be given more weight the greater the network’s ability to provide and maintain an acceptable level of service during faults and challenges to normal operation, such as physical failures (e.g. fibre cuts) or radio failures due to extreme weather.

Criteria to identify “priority underserved” geographic areas

44. In Telecom Regulatory Policy 2016-496, the Commission stated that the development of appropriate criteria for identifying priority underserved areas to be funded is an important element of the funding regime that it would examine further.

45. Accordingly, the Commission will examine criteria to identify the areas that are in the greatest need of support under the broadband funding regime. Applications will be given more weight if projects meet the criteria to identify priority underserved geographic areas.

⁸ If the focus of the broadband funding regime is to expand Canada’s terrestrial broadband Internet access network, new builds would be favoured over infrastructure upgrades.

46. These criteria could comprise the following:

For fixed broadband projects

- the availability of fixed broadband Internet access service in the area, as measured, for example, by the available download and/or upload speeds in Mbps (i.e. applications would be given more weight for proposed projects in areas with lower speeds); and
- the population density of the area, as measured, for example, by the number of households or persons per hexagonal unit of 25 square kilometres.

For mobile broadband projects

- the availability of mobile wireless service in the area, including on major transportation roads;
- the technology of the mobile wireless services in the area (i.e. applications would be given more weight for proposed projects in areas with existing older technology); and
- the level of traffic on major transportation roads (i.e. applications would be given more weight for proposed projects in areas with more traffic).

For both fixed and mobile broadband projects

- the level of overbuild (partially served last-mile), meaning that there is already service available in the area at speeds of 50 Mbps download in at least part of the area to be served;
- the presence and type of anchor institution⁹ in the area; and
- remoteness (i.e. applications would be given more weight for proposed projects in more remote areas).

Satellite-dependent communities component

47. In Telecom Regulatory Policy 2016-496, the Commission stated that up to 10% of the total annual limit of the broadband funding mechanism would be allocated to satellite-dependent communities for the first five years of the fund's operation. The Commission determined that this component is intended to support operational costs and potentially certain related capital costs.

⁹ Anchor institutions may be broadly defined as places that serve a public function (e.g. schools, medical facilities, libraries, First Nations band offices, and international border guard stations).

48. Accordingly, the Commission will examine the implementation of this component of the broadband funding regime.
49. The Commission will also examine how to define a “satellite-dependent community” for the purpose of the broadband fund. For example, the Commission’s 2014 [Satellite Inquiry Report](#) defines this term as a community that has no connection to terrestrially based telecommunications facilities for connection to the public switched telephone network (PSTN) and/or the Internet, and that relies on satellite transport to receive one or more telecommunications services (such as voice, wireless [both fixed and mobile], and Internet services).

Call for comments

50. The Commission invites comments on its preliminary views set out in the appendices to Telecom Regulatory Policy 2016-496 and reproduced in Appendix 1 to this notice. The Commission also invites comments on the issues and preliminary views outlined above, and the questions set out in Appendix 2 to this notice.
51. In their interventions, parties should provide supporting rationale and all evidence on which they rely to formulate their position. Although the topics and questions may be interrelated and interdependent, parties should structure their interventions as set out above.
52. The Commission will review the matters raised in this proceeding in light of the policy objectives set out in section 7 of the Act and taking into consideration the Policy Direction.¹⁰ Parties should also take these into account and address their relevant aspects, as applicable.

Procedure

53. The *Canadian Radio-television and Telecommunications Commission Rules of Practice and Procedure* (the Rules of Procedure) apply to this proceeding. The Rules of Procedure set out, among other things, the rules for the content, format, filing, and service of interventions, answers, replies, and requests for information; the procedure for filing confidential information and requesting its disclosure; and the conduct of public hearings. Accordingly, the procedure set out below must be read in conjunction with the Rules of Procedure and related documents, which can be found on the Commission’s website at www.crtc.gc.ca, under “[Statutes and Regulations](#).” The guidelines set out in Broadcasting and Telecom Information Bulletin 2010-959 provide information to help interested persons and parties understand the Rules of Procedure so that they can more effectively participate in Commission proceedings.

¹⁰ *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, P.C. 2006-1534, 14 December 2006

54. Interested persons who wish to become parties to this proceeding must file an intervention with the Commission regarding the above-noted issues by **28 June 2017**. The intervention must be filed in accordance with section 26 of the Rules of Procedure.
55. Parties are permitted to coordinate, organize, and file, in a single submission, interventions by other interested persons who share their position. Information on how to file this type of submission, known as a joint supporting intervention, as well as a [template](#) for the accompanying cover letter to be filed by parties, can be found in Telecom Information Bulletin 2011-693.
56. All parties may file replies to interventions with the Commission by **26 July 2017**. As part of their replies, parties may propose questions to be included in the Commission's requests for information to parties.
57. The Commission may request information, in the form of interrogatories, from any party to the proceeding.
58. All parties may file final submissions with the Commission on any matter within the scope of this proceeding by **29 November 2017**. Final submissions, including an executive summary, are not to exceed 15 pages.
59. The Commission encourages interested persons and parties to monitor the record of this proceeding, available on the Commission's website at www.crtc.gc.ca, for additional information that they may find useful when preparing their submissions.
60. Submissions longer than five pages should include a summary. Each paragraph of all submissions should be numbered, and the line *****End of document***** should follow the last paragraph. This will help the Commission verify that the document has not been damaged during electronic transmission.
61. Pursuant to Broadcasting and Telecom Information Bulletin 2015-242, the Commission expects incorporated entities and associations, and encourages all Canadians, to file submissions for Commission proceedings in accessible formats (for example, text-based file formats that enable text to be enlarged or modified, or read by screen readers). To provide assistance in this regard, the Commission has posted on its website [guidelines](#) for preparing documents in accessible formats.
62. Submissions must be filed by sending them to the Secretary General of the Commission using **only one** of the following means:

by completing the
[\[Intervention form\]](#)

or

by mail to
CRTC, Ottawa, Ontario K1A 0N2

or

by fax to
819-994-0218

63. Parties who send documents electronically must ensure that they will be able to prove, upon Commission request, that filing of a particular document was completed. Accordingly, parties must keep proof of the sending and receipt of each document for 180 days after the date on which the document is filed. The Commission advises parties who file and serve documents by electronic means to exercise caution when using email for the service of documents, as it may be difficult to establish that service has occurred.
64. In accordance with the Rules of Procedure, a document must be received by the Commission and all relevant parties by 5 p.m. Vancouver time (8 p.m. Ottawa time) on the date it is due. Parties are responsible for ensuring the timely delivery of their submissions and will not be notified if their submissions are received after the deadline. Late submissions, including those due to postal delays, will not be considered by the Commission and will not be made part of the public record.
65. The Commission will not formally acknowledge submissions. It will, however, fully consider all submissions, which will form part of the public record of the proceeding, provided that the procedure for filing set out above has been followed.

Important notice

66. All information that parties provide as part of this public process, except information designated confidential, whether sent by postal mail, facsimile, email, or through the Commission's website at www.crtc.gc.ca, becomes part of a publicly accessible file and will be posted on the Commission's website. This includes all personal information, such as full names, email addresses, postal/street addresses, and telephone and facsimile numbers.
67. The personal information that parties provide will be used and may be disclosed for the purpose for which the information was obtained or compiled by the Commission, or for a use consistent with that purpose.
68. Documents received electronically or otherwise will be posted on the Commission's website in their entirety exactly as received, including any personal information contained therein, in the official language and format in which they are received. Documents not received electronically will be available in PDF format.
69. The information that parties provide to the Commission as part of this public process is entered into an unsearchable database dedicated to this specific public process. This database is accessible only from the web page of this particular public process. As a result, a general search of the Commission's website with the help of either its search engine or a third-party search engine will not provide access to the information that was provided as part of this public process.

Availability of documents

70. Electronic versions of the interventions and other documents referred to in this notice are available on the Commission's website at www.crtc.gc.ca by using the file number provided at the beginning of this notice or by visiting the "Participate" section of the Commission's website, selecting "Submit Ideas and Comments," then selecting "our open processes." Documents can then be accessed by clicking on the links in the "Subject" and "Related Documents" columns associated with this particular notice.
71. Documents are also available at the following address, upon request, during normal business hours.

Les Terrasses de la Chaudière
Central Building
1 Promenade du Portage
Gatineau, Quebec
J8X 4B1
Tel.: 819-997-2429
Fax: 819-994-0218

Toll-free telephone: 1-877-249-2782
Toll-free TDD: 1-877-909-2782

Secretary General

Related documents

- *Modern telecommunications services – The path forward for Canada's digital economy*, Telecom Regulatory Policy CRTC 2016-496, 21 December 2016
- *Filing submissions for Commission proceedings in accessible formats*, Broadcasting and Telecom Information Bulletin CRTC 2015-242, 8 June 2015
- *Filing of joint supporting interventions*, Telecom Information Bulletin CRTC 2011-693, 8 November 2011
- *Guidelines on the CRTC Rules of Practice and Procedure*, Broadcasting and Telecom Information Bulletin CRTC 2010-959, 23 December 2010

Appendix 1 to Telecom Notice of Consultation CRTC 2017-112

Eligibility and assessment criteria – Preliminary view

Eligibility criteria

Eligible recipients

Eligible recipients will be required to meet the following criteria:

- be legal entities, incorporated in Canada, that already operate or intend to operate broadband infrastructure. These include private sector companies; provincial, territorial, regional, municipal, and First Nations entities; and non-profit organizations. Individuals and federal entities (including Crown corporations) are not eligible.
- demonstrate experience in deploying and operating broadband infrastructure. If the entity does not itself have a track record in operating broadband infrastructure, it must demonstrate that it has appropriate resources with experience deploying and operating broadband infrastructure as part of its project team or contractual resources.
- demonstrate solvency and reliability through supporting documentation.

Eligible costs

Terrestrial component of the fund

Eligible costs will include costs associated with activities such as engineering and design, environmental scans and assessments, as well as the purchase and installation of equipment and infrastructure (including the provisioning of backhaul capacity and other one-time access-driven costs).

These eligible costs will include, for example,

- equipment costs, including the costs of servers, switching and transmission equipment, fibre-optic cable, repeaters, radio and microwave equipment, towers, poles, shelters and enclosures, backup power supplies, and network broadband connectivity devices including upgrades and adaptations;
- material costs associated with the set-up and performance of the proposed project;
- labour costs, including the one-time costs associated with the engineering and installation of capital equipment, network deployment, and service provisioning;
- labour-related travel costs, such as those associated with engineering, installation, network deployment, and service provisioning, considered on a case-by-case basis; and
- other direct costs associated with the project start-up.

Satellite component of the fund

For satellite-dependent communities, eligible costs are the costs associated with improving the speed, capacity, and quality of broadband Internet access services in the community. These eligible costs will include those listed above, as well as satellite capacity and equipment costs, such as the portion of the direct purchase or lease of bandwidth or capacity, modems, satellite links, and any other costs directly related to building and maintaining earth stations.

Assessment criteria

Applications will be assessed based on the following factors, with a view to minimizing, if possible, overlaps in multiple projects and overbuilding existing coverage:

- Speeds – Applications will be given more weight the greater the expected improvement in download and upload speeds for the community’s broadband Internet access services (measured in Mbps).
- Capacity – Applications will be given more weight the greater the expected improvement in data transfer capacity per household in the community (measured in GB).
- Quality of service – Applications will be given more weight the greater the quality of service that can be provided to customers in terms of latency, jitter, and packet loss.
- Government funding – Applications will be given more weight the greater the level of financial contribution of the total project costs from a government entity.
- Private investment – Applications will be given more weight the greater the level of financial contribution of the total project costs from private investment.
- Scalability – Applications will be given more weight the greater the capacity of the proposed project to do the following over a five-year period after project completion: (i) provide higher speeds, (ii) provide increased network capacity, (iii) expand to serve more clients (households and businesses) within the proposed project area, and (iv) expand to serve a larger area.
- Wholesale access – Applications will be given more weight if wholesale access to elements of the network is proposed.
- Mobile coverage – Applications will be given more weight if mobile wireless coverage in addition to fixed broadband Internet access service is proposed.
- Timeliness of project rollout – Applications will be given more weight the earlier the proposed completion dates.
- Service coverage – Applications will be given more weight the more households and businesses served and the greater the geographic area covered.

- Coverage density – Applications will be given more weight the greater the proportion of underserved households and businesses within the proposed project area.
- Cost per household – For the terrestrial component, applications will be given more weight the lower the cost per household.
- Sustainability – Applications will be given more weight the greater the potential of the proposed project to support long-term use of the network (as demonstrated in the operations plan, subscriber estimates, financial forecast, and technology solution).
- Pricing – Applications will be given more weight the lower the monthly price for subscribers for a broadband Internet access service plan that includes a higher data transfer.

Project management function – Preliminary view

Role of the third-party administrator

The third-party administrator will be governed by a board of directors and will have full independence from any recipients of the broadband fund (such as Internet service providers). The board will ensure that all activities are conducted in full compliance with the terms of its agreement with the Commission and all applicable laws, rules, and regulations.

Specifically, the responsibilities of the third-party administrator for this function will include the following:

- administering the application process;
 - producing an application guide for Commission approval;
 - receiving applications; and
 - communicating with applicants and parties that may be interested in applying.
- screening and assessing applications;
 - developing assessment tools (such as an assessment grid) for Commission approval;
 - screening applications by applying the Commission’s eligibility criteria (such as those outlined above);
 - assessing the merits of eligible applications using the Commission’s weighted criteria (such as those outlined above);
 - providing to the Commission a list of eligible applications, including projects recommended for funding; and

- demonstrating how, and to what extent, the projects recommended for funding meet the Commission's eligibility and assessment criteria.
- managing funding agreements;
 - preparing funding agreements;
 - communicating with the third-party administrator for the accounting function, as required, regarding the schedule of payments and any hold-back payments; and
 - reviewing fund recipients' interim, annual, and final performance reports, including results data, to ensure that contribution agreements are fulfilled.
- conducting activities related to accountability; and
 - filing with the Commission an annual report containing a budget and audited financial statements; and
 - co-operating fully with the fairness monitor engaged by the Commission.
- reporting results.
 - collecting data from fund recipients and sharing it with the Commission, taking into account commercial sensitivity as appropriate; and
 - monitoring and filing annual public reports on the performance of the broadband fund.

Role of the Commission

As stated in Telecom Regulatory Policy 2016-496, the Commission will retain oversight of the fund, approve the projects to be funded, and appoint a fairness monitor.

The Commission's responsibilities for the project management function will include the following:

- establishing the complete terms and conditions of the fund and approving any amendments to these terms and conditions, which may be proposed by the third-party administrator;
- approving the application guide produced by the third-party administrator;
- approving assessment tools to be used by the third-party administrator;
- reviewing the third-party administrator's recommendations of projects to be funded; and

- developing a performance measurement strategy for the fund, including developing performance measures and indicators, the supporting data requirements, and a data collection strategy.

Accounting function – Preliminary view

Role of the third-party administrator

The third-party administrator for this function will be responsible for collecting contributions from telecommunications service providers (TSPs) and remitting payments to the successful applicants. This administrator will be governed by a board of directors, which may include fund recipients, such as Internet service providers, given that the administrator will make no recommendations or decisions with respect to funding.

Specifically, the responsibilities of the third-party administrator for the accounting function will include the following:

- implementing Commission-approved decisions with respect to its operating procedures and the contribution pay-in rate;
- maintaining the system used by TSPs to report their revenue information;
- collecting monthly revenue information from TSPs;
- collecting contributions from TSPs;
- making payments to fund recipients based on the schedule set out by the administrator for the project management function; and
- conducting an annual review of its systems and processes to ensure that it has followed Commission-approved procedures.

Role of the Commission

The Commission's responsibilities for the accounting function will include the following:

- approving the procedures for this function;
- determining the revenue-percent charge contribution pay-in rate on an annual basis;
- determining the allowable deductions within the contribution regime; and
- performing other related tasks, such as reviewing TSPs' annual contribution-eligible revenue reports.

Appendix 2 to Telecom Notice of Consultation CRTC 2017-112

Questions for discussion in this proceeding

Governance, operating, and accountability frameworks

Roles of the Commission and the third-party administrator(s)

1. Should additional roles and responsibilities be considered for each entity?
2. Is there a need to amend or eliminate certain roles or responsibilities?

Governance structure of the third-party administrator(s)

3. Should there be a single administrator/board or separate administrators/boards for each of the fund's two functions (project management and accounting)?
4. Describe the composition of the board(s). For example, would the Canadian Telecommunications Contribution Consortium Inc. (CTCC) be an appropriate choice for the accounting function? How should board members be selected?
5. Should any other considerations be taken into account?

Accountability and fairness

6. How should the fairness monitor be selected and what metrics should be used to assess whether they have fulfilled their responsibilities?
7. Should any additional safeguards be put in place to ensure that the broadband fund is operated fairly and efficiently?

Calls for applications

8. Taking into consideration the administrative burden on all stakeholders, how frequently should calls for applications be issued?

Distribution of funding

9. How should the distribution of funding be designed (i.e. quarterly, annually, or by project progress payments)?

Enforcement of funding agreements

10. Should the Commission impose a condition under section 24 of the Act on recipients to ensure that they complete their proposed project as set out in their funding agreement with the third-party administrator?
11. Should the Commission take any other measures to ensure the accountability of fund recipients?

Collecting and reporting information from applicants/recipients

12. How should section 39 of the Act be applied to information filed with the Commission and the third-party administrator(s)?
13. What information related to the performance of the fund should the administrator(s) be required to report on publicly?
14. How should project and fund results be shared publicly?
15. What performance measures should the administrator for the project management function impose on fund recipients for reporting purposes? For example, should recipients be required to participate in a broadband performance monitoring program?
16. Should any other considerations be taken into account?

Eligibility criteria**Eligible geographic areas**

17. Should an area with access to broadband Internet service speeds of 50 Mbps download, even if it does not meet all the criteria under the universal service objective, be ineligible for Commission funding? If you support that an area is ineligible for Commission funding if it meets the universal service objective, explain how each of the objective's criteria could be measured and evaluated (e.g. the quality of service metrics in a particular area).
18. Should the proximity of an area to the nearest fibre transport infrastructure (e.g. point of presence or point of interconnection) also help determine the area's eligibility for funding? If so, explain how an area's proximity to the nearest fibre transport infrastructure should be measured.
19. The Commission could use hexagonal units of 25 square kilometres to define geographic areas. What are the benefits and challenges associated with this unit of measurement? If you suggest using other units of measurement to define geographic areas, provide supporting rationale and describe how to implement such units.
20. Should the Commission consider other criteria for identifying eligible/ineligible geographic areas?
21. If a geographic area does not meet the eligibility criteria established by the Commission, should applicants still have the opportunity to demonstrate that the area should be eligible for funding? If so, what evidence should applicants be required to submit?

Eligible recipients

22. Should any criteria regarding eligible recipients in addition to those stated in the Commission's preliminary view be considered?

Eligible costs

23. Should any eligible costs in addition to those stated in the Commission’s preliminary view be considered?
24. What costs should be identified as ineligible and why?

Funding from a government entity

25. How should applicants be required to demonstrate that they have secured funding from a government entity (e.g. a promissory note or a signed funding agreement)?
26. Should any government entities from whom government funding can be secured be added or removed to the following list, which was included in Telecom Regulatory Policy 2016-496: federal, provincial, territorial, regional, and municipal entities; Aboriginal governments; community entities; and non-profit organizations?
27. Should the Commission define the terms “minimum,” “nominal,” and “commensurate” for the purpose of implementing the government funding requirement? If so, provide definitions.

Applicant investment

28. What evidence should applicants be required to provide that they are able to fund their own investment in the proposed project?
29. Should the Commission define the terms “minimum,” “nominal,” and “commensurate” for the purpose of implementing the applicant investment requirement? If so, provide definitions.
30. What requirements, if any, should be imposed on public sector funding recipients regarding the ownership of Commission-funded assets after the initial capital expenditure (e.g. should there be requirements on when they are able to sell the asset)?

Project viability

31. How should applicants be required to demonstrate that the proposal would not be viable without Commission funding?

Assessment criteria

Project types

32. Should any other considerations be taken into account regarding the assessment of project types?

Project assessment criteria

33. How much weight should be placed on each project assessment criterion?
34. Should any of the assessment criteria set out in the Commission’s preliminary view in Appendix 1 be modified or removed?
35. Should any other project assessment criteria be included? If so, provide a description of how they should be assessed and the weight that should be given to them.
36. Should subscriber uses and network resiliency be included in the list of project assessment criteria? If so, explain any anticipated issues and the weight that should be given to each.
37. Should any other considerations be taken into account regarding project assessment criteria?

Criteria to identify “priority underserved” geographic areas

38. Should the potential criteria identified in paragraph 46 of the notice be used to identify “priority underserved” geographic areas for funding?
39. Should any other criteria to identify “priority underserved” geographic areas be considered?
40. How should each criterion for identifying “priority underserved” geographic areas be measured/defined? How much weight should be given to each one?
41. What additional considerations should the Commission take into account regarding the criteria for “priority underserved” geographic areas?

Satellite-dependent communities component

42. How should this component be implemented?
43. How should eligible satellite-dependent communities be defined?
44. What should be the eligible and ineligible costs?
45. Should any additional eligibility and/or assessment criteria be applied under the satellite-dependent communities’ component?