

CRTC challenges Xplornet over Internet access in rural regions

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Canada's telecom regulator is taking a tough look at the industry's claims that satellite technology will soon cure the woes of poor access to high-speed Internet for Canadians living outside urban areas.

Many large Internet providers argue that satellite coverage is available across the country and investment in capacity on new satellites with improved technology will soon result in higher speeds and greater bandwidth, so there is no need to set up new industry-funded subsidies to finance broadband expansion.

But on Wednesday – the third day of a three-week hearing on “basic telecom services” – the Canadian Radio-television and Telecommunications Commission (CRTC) challenged rural Internet provider Xplornet Communications Inc. to explain why some areas of the country remain underserved despite this apparently ubiquitous option.

Candice Molnar, the commissioner for Manitoba and Saskatchewan, pointed to representatives from Nunavut who appeared earlier in the week and argued that Xplornet's services – which are less expensive than other services in the area – are not readily available in the territory largely owing to the difficulties and cost of flying technicians into remote communities.

Xplornet, whose headquarters is in Woodstock, N.B., serves more than 300,000 customers across Canada using satellite services as well as fixed wireless technology (which uses communications towers and wireless spectrum to deliver home Internet signals in hard-to-reach areas). The company is backed by private investors and has argued that new subsidies will undermine investments made by it and other providers.

If industry investments fall short, Xplornet chief executive officer Allison Lenehan said, the federal government's recent budget commitment to spend \$500-million over the next five years to expand rural broadband (on top of the current \$305-million Connecting Canadians program) will reach the remainder of underserved households.

“We urge the commission not to duplicate these efforts. We believe that a new CRTC subsidy program would curtail private investment, discourage innovation and dampen competition,” Mr. Lenehan said on Wednesday during an appearance at the commission’s headquarters in Gatineau.

The company’s approach has supporters in many of Canada’s big Internet companies. For example, Telus Corp. argued in its written filing: “From Xplornet in the near future, to OneWeb after that ... new technology offers a promising future for the delivery of broadband Internet access to rural and remote areas. This technology is already on its way.”

(Telus was referencing Xplornet’s plans to offer download speeds of 25 megabits per second (Mbps) across the country by the middle of 2017 and OneWeb’s building of a global network using a constellation of low-Earth orbiting satellites expected to come online in 2019.)

But Ms. Molnar said on Wednesday that parties from the Far North have told the CRTC that Xplornet’s services are not always accessible. “We read your submission ... [arguing] that there’s lots going on in Canada, that much of the problems are solved. [But] none of the parties who were here before us were suggesting that kind of outcome.

“It becomes a bit confusing to say, ‘Well, there’s a satellite provider who’s offering and promising to offer greater and greater speeds at commercial rates without any government investment,’ and we have full communities coming forward saying they need hundreds of millions of [dollars of] investment, and they’re scraping by with [download speeds of] 1.5 [Mbps]. Those are two very different stories,” she said.

Mr. Lenehan responded that in areas where the government offers subsidies to other service providers, Xplornet will “limit the amount” of its own investment, reducing spending on “the infrastructure to continue to keep pace with what people want to do in that particular area.” He did not comment specifically on Xplornet’s investments in Nunavut, but SSi Micro Ltd. has received several rounds of government funding, including a recent award of \$35-million to expand access there.

“You can imagine for our private investors, to invest a significant amount of capital for infrastructure in a particular area only to compete with public capital in that area of a sizable amount is probably not the best thing for us to do,” he said.

Xplornet itself has received government subsidies in the past – including \$600,000 announced last week – but Mr. Lenehan said that, “relative to the private capital, it would be a very small percentage of the capital we’ve deployed.”

“We want to have robust broadband at affordable prices, everywhere in Canada. That doesn’t mean we’re always the best solution.”

Mr. Lenehan also told the commission that while new subsidies are not warranted in his view, the company does need better access to licensed spectrum, which it uses to deploy its fixed wireless service.

The CRTC is not responsible for spectrum licensing policies, but the company urged the regulator to press that issue with the federal Department of Innovation, Science and Economic Development (formerly Industry Canada).

The issue of spectrum availability came up earlier on Wednesday when Cindy Lunau, a municipal councillor for Milton, Ont., made a presentation to the CRTC. Although the area is close to urban areas, she described the frustrations of rural residents in her ward – low speeds, unreliable service and limited capacity – which she said were in part owing to a lack of spectrum for fixed wireless providers.

“Living in a rural area, we’re aware that generally everything costs a little bit more than it does in the city. Most people are prepared to pay more than their city cousins for Internet, if they can count on it. It’s just when it starts going over that \$200 bill that people start getting a little bit upset,” Ms. Lunau said. “And most people do not think that they’re going to get Netflix – they aren’t using it for that. They’re using it for day-to-day survival – business and educational survival.”

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