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Claude Doucet  
Secretary General  
Canadian Radio-television and Telecommunications Commission  
Gatineau, QC  
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October 16, 2023

**Re: CRTC 2023-56-2 Review of the wholesale high-speed access service framework – New intervention phase**

### **Executive Summary**

1. National Capital FreeNet (NCF) is pleased to submit additional comments on the Commission's review of the wholesale high-speed access framework. We also wish to appear at the hearing.
2. As a small, local, not-for-profit provider committed to affordability and digital equity, we have first-hand experience of the ways that the current wholesale framework is exacerbating rather than addressing structural inequities in the telecom market.
3. Delays in regulating and rolling out wholesale access to FTTP, needlessly high wholesale rates for FTTN services, and selective and secretive off-tariff agreements make it harder for NCF to achieve our mission and ultimately, threaten our survival. As one of the only not-for-profit internet providers in Canada, we would like to serve as a model when other organizations ask us how they can do something similar. Instead, we serve as a warning.
4. The ongoing challenges faced by bigger commercial wholesale-based competitors like TekSavvy alongside the spate of incumbent acquisitions of formerly independent providers over the last two years makes clear that this is a wider problem.

5. We believe the current wholesale framework runs counter to the key objectives of the current policy direction<sup>1</sup> by:
  - a. discouraging competition and investment, particularly from alternative providers like not-for-profits, municipalities and Indigenous organizations and communities;
  - b. fostering a lack of affordability and further entrenching the market power of incumbents;
  - c. letting incumbents treat access to high-quality, reliable and resilient telecommunications services, particularly in rural areas, remote areas and Indigenous communities as a bargaining chip to forestall change;
  - d. limiting consumer choice;
  - e. significantly increasing barriers to entry into the market and to competition, particularly for new, regional and smaller providers;
  - f. limiting the scope of innovation in telecommunications services to those offered by incumbents;
  - g. driving up the costs of business for independent providers, limiting their ability to invest in research and development and other intangible assets that support the offer and provision of telecommunications services.
  
6. We are hopeful that this review will help Canadians gain access to greater choice and more affordable services. As such, we agree with the Commission's preliminary views that:
  - the provision of aggregated wholesale HSA services should be mandated;
  - access to FTTP facilities should be provided on an aggregated basis; and
  - aggregated wholesale HSA services can co-exist with disaggregated wholesale HSA services and should not be subject to any phase-out.
  
7. Given that much of the damage to competition has been since 2019 and continues apace, we join TekSavvy in asking the Commission to set interim rates for FTTP and FTTN services on an expedited basis. This will enable the Commission to take time to review the proposed FTTN and FTTP rates without stretching out the market conditions the review explicitly aims to address. Expedited interim rates would also limit the value of procedural delays.

## **About NCF**

8. National Capital FreeNet believes that everyone has a right to affordable, high quality internet services that they can understand how to use, while feeling safe online.
  
9. Founded in 1992, NCF started as a dial-up community platform. We were the first internet provider in the region and the first web presence for the Ottawa Public Library, CBC Ottawa and many other local organizations. Since then, we have evolved with the internet, while maintaining our commitment to universal access. We started selling DSL internet in 2005.

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<sup>1</sup> <https://ised-isde.canada.ca/site/mobile-plans/en/order-issuing-direction-crtc-renewed-approach-telecommunications-policy>

10. Our mission is to advance digital equity as a local, not-for-profit alternative to commercial internet providers. As a social enterprise, NCF balances our business activities with our social mission, investing in access, bandwidth and community services.
11. Our core services include selling DSL and cable Internet; an award-winning HelpDesk of staff and volunteers providing hands-on digital skills support; free locally-hosted email and basic web hosting; digital skills workshops and online resources, especially for seniors and those on low incomes; and advocacy for internet affordability and digital equity. Since the pandemic we have also been working to establish a community network as another way to connect our community. We consider this a social innovation, but it is also a response to the limitations of the current wholesale framework in addressing affordability.
12. NCF serves more than 4800 members, about 2500 of whom subscribe to our monthly internet services, including more than 300 using our Community Access Fund, a lower-cost plan for Ottawa Community Housing tenants. The rest of our membership uses our other community services.
13. Nearly every day we hear from our members about two main issues: access to FTTP services and affordability.

#### **Access to FTTP**

14. In June 2019, NCF had 3336 DSL subscribers built over years of slow and steady growth. By February 2021 it had dropped to 3100 DSL subscribers. Given the challenges of the pandemic and rising inflation for our members we have kept our prices steady since this time, despite rising costs. But by April 2023 — when we first submitted to this hearing — we were down to 2492 DSL subscribers, fewer than we had in 2011. Now we have 2381 DSL subscribers: this is a loss of *a third* of our DSL subscribers over the last four years.
15. We started selling cable internet services in 2021 but those gains have not made up for DSL losses.
16. As mentioned in our June 22 submission,<sup>2</sup> given the widespread availability of bundles, aggressive sales techniques, and short-term discounts when NCF was still acquiring DSL subscribers against industry trends, we attribute this recent sharp decline in subscribers to the ongoing deployment of FTTP and the growing demand for high-speed fibre connectivity during the pandemic.
17. This is made worse by more neighbourhoods that only offer FTTP services, the decline in FTTN service availability and reliability, and the ways Bell is handling their broader network transition from copper to FTTP. Many NCF members with landlines have been inaccurately told by Bell that they are required to switch to Bell's FTTP phone services, knocking them out of service on their wet line DSL. We have then faced ongoing challenges trying to reconnect

these subscribers, while they are contacted by Bell sales representatives about the value of FTTP services.

### **Affordable internet**

18. The most obvious difference between NCF and for-profit ISPs, be they independents or incumbents, is that we do not have a profit motive in our pricing for our members. Instead, we work to keep our prices as low as we can while staying sustainable, rather than as high as the market will bear.
19. Our business model also includes volunteers working alongside staff on our HelpDesk, helping keep support costs down, and additional revenue from donations and project grants, which help offset some of our other overhead costs.
20. But we will never be able to offer retail prices below the proposed tariff line rates like the incumbents do. In addition to the line rate, we have to pay for usage, which includes both the tariffed CBB rate and the market transit rate, other operational expenses and overhead costs.
21. Bell, in its August 8 reply, stated that offering retail rates below the tariff rate is about marketing and market forces and as such, is unrelated to wholesale rates:

“at retail, we have the flexibility to offer lower rates for Internet services, or offer short-term promotional and other discounted offers to attract new customers, or retain customers. Lowering prices in the retail Internet market, which is characterized by vigorous competition, and offering multi-product bundles at discounted rates in order to retain customers, or to winback customers from other providers, is a common marketing tool. Offering a wider range of pricing and competitive multi-product offers is a win for customers....

On the other hand, wholesale rates for Internet services are based on cost plus a predetermined mark-up to enable us to recover our costs and earn a reasonable rate of return that minimizes the investment risks associated with the mandated the provision of these services.”<sup>3</sup>

22. We would instead suggest that Bell is describing its ability to flex its market power: high wholesale costs render wholesale-based competitors unable to have the same kinds of flexibility in offering the same kinds of lower rates as the incumbents and therefore erode competition, leading to market concentration and higher prices over time. We don't consider that a win for customers.

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<sup>3</sup> TELECOM NOTICE OF CONSULTATION CRTC 2023-56, *REVIEW OF THE WHOLESALE HIGH-SPEED ACCESS FRAMEWORK*. REPLY COMMENTS OF BELL CANADA REGARDING BELL CANADA TARIFF NOTICE (TN) 7671 FILED PURSUANT TO TNC 2023-56. 8 AUGUST 2023 p.8

23. A similar dynamic is at work with programs designed to help those living on low incomes, like the Connecting Families Program and Rogers Connected for Success. Given NCF's mandate, we are thrilled that these programs enable more low-income families to get connected. That said, they are built upon structural issues that reflect problems with the current wholesale framework.
24. The Rogers Connected for Success program<sup>4</sup> is open to applications from those in the Resettlement Assistance Program, Guaranteed Income Supplement, those in subsidized housing with their rent geared to income, and in Ontario, those receiving support from the Ontario Disability Support Program (ODSP) and Ontario Works. The program offers plans from \$9.99 per month for 25Mbps up to \$34.99 per month for up to 150Mbps, as well as bundles including TV or phone.
25. The Connecting Families program offers either a 10/1Mbps connection with 100GB of usage for \$10 per month or a 50/10Mbps connection with 200GB of usage for \$20 per month for up to 220,000 eligible recipients across Canada. Eligibility is determined by a lottery of those families receiving the maximum Canada Child Benefit or low-income seniors receiving the maximum Guaranteed Income Supplement. There is no publicly available data on the current number of subscribers in the program, but the Connecting Families website states that more than 82,000 low-income households have benefited from the initiative since it was launched in 2017<sup>5</sup>. The website also makes a point to note that "the government is not subsidizing ISPs to provide the low-cost Internet service."<sup>6</sup>
26. And yet of the 18 ISPs currently participating in Connecting Families 2.0, all of them are facilities-based, owning their own networks. NCF was happy to find that a number of the participating ISPs are co-operatives and one is municipally-owned. We believe this underscores the ways that non-profit, municipal and non-traditional ISPs strengthen the telecommunications market for the better. The other program participants, including Bell, Rogers, and Telus, are incumbents who sell wholesale access.
27. NCF is frequently asked by our members why, given our mandate, we do not participate in this program. We would like to. Unfortunately, the current Bell wholesale tariff line rate for both a 10/1 Mbps and 50/10 Mbps DSL connections is \$23.79 per month per subscriber. This would mean a loss of \$13.79 per month not including a potential dry line for those without landline service, for which the tariff rates range from \$4.25 to \$13.19 per month per subscriber, depending on where they live. As noted, this also does not include usage and overhead costs for operations.

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<sup>4</sup> <https://www.rogers.com/connected-for-success>

<sup>5</sup> <https://ised-isde.canada.ca/site/connecting-families/en>

<sup>6</sup> <https://ised-isde.canada.ca/site/connecting-families/en/faq>

28. This is deeply unsustainable for NCF and means that while the participating providers are not subsidized, the program trades on the lower costs of the facilities-based performers, bolstered by high wholesale rates.
29. Instead, our Community Access Fund plan for Ottawa Community Housing tenants offers unlimited usage on a 6/0.8Mbps DSL line for \$25 per month. We would like to offer higher speeds for a lower price but have had to stay with the 6Mbps service for now because the tariff line rate is \$14.11 per month for the 6Mbps legacy copper service, plus usage and overhead costs, rather than \$23.79 tariff line rate per month for FTTN services.
30. We are currently reviewing the proposed tariff rates in more detail and may comment more on this in the replies to interventions. As before we also request that the Commission establish interim aggregated FTTN and FTTP rates while it takes the time needed to review the proposed rates put forward by the incumbents, including ensuring that they adhere to the establish costing methodologies.
31. Finally, though it is not explicitly in the scope of this hearing, we note that the Commission asked for comments on “other enhancements or changes” to aggregated wholesale HSA services to facilitate a more vibrant and sustainable competitive retail market.
32. Though we largely serve urban areas, we believe universal access is important in rural, remote and under-served Indigenous communities, and would facilitate a more vibrant retail market. So too is deep affordability for those living on low incomes, whether that be in urban, rural, remote or Indigenous communities.
33. Given this, we request that the Commission hold a separate hearing on the potential creation of a broadband subsidy for those living on low incomes, similar to the Lifeline Program for Low-Income Consumers, last modernized by the US Federal Communications Commission in 2016 to include broadband as a support service.<sup>7</sup>

Thank you,  
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<sup>7</sup> <https://www.fcc.gov/general/lifeline-program-low-income-consumers>