

The Development & Deployment of Broadband Capabilities in Canada

The development and deployment of broadband networks and facilities is vital to ensuring the competitiveness of the Canadian economy on the global level, in driving regional and local development and in empowering communities.

Canada has a long history of leveraging communications technologies to overcome the challenges of its vast geography, sparse population and difficult terrain. Through billions of dollars of private investment supported by public policy and strategic initiatives, the Canadian government has created a framework that has facilitated the pervasive deployment of radio, telephone, television and cable throughout the country. The basic premise fuelling such public policy initiatives is that these technologies and services offer important social and economic benefits for Canadian citizens and businesses.

Information and knowledge represent the currency of the global digital economy. Citizens and businesses of all sizes are using new technologies, including the Internet, to gather information and knowledge to communicate and conduct commerce. Ten years ago, Canada was at the forefront of this new economy. Past international reports rated Canada well, pointing to a highly 'connected' population, a well-educated workforce, a strong information and telecommunications industry and a history of strategic public policy frameworks aimed at leveraging the potential of communications technologies and services.

Bringing Remote Communities Online

Today, approximately 93% of Canada's population is able to obtain access to broadband Internet. In Budget 2009, the government committed \$225 million over three years to develop a program to extend broadband coverage to unserved communities, with private sector participation. In addition, there is funding available at P3 Canada Inc., dedicated to rural broadband expansion by means of Public Private Partnerships (P3) where market forces are not sufficient for broadband infrastructure development. The Canadian Chamber supports the government commitments such as these to extend broadband service in underserved rural and remote areas.

In terms of broadband penetration, it is worth noting that Canada has slipped over the past 10 years from first place to 10th in the OECD's rankings. In addition, Canada is at 15th spot in terms of average broadband speeds among OECD countries. According to another recent international study, Canada ranks seventh in "useful connectivity," reflecting its deficiencies in the adoption, usage, penetration, speed and performance of broadband. It is worth noting that the U.S. and Australia have both focused on the need for higher speeds for broadband, as spurred by their new investment programs.

Clearly, Canadian business need the right incentives, such as tax incentives, in order to keep investing in next generation infrastructure if it is to catch up in terms of speed to its peers internationally and effectively lever broadband for competitive advantages. Further while both wireline and wireless broadband is critical infrastructure and the cornerstone of economic growth, addressing the availability of broadband is not sufficient without a broader focus on information and communications technologies (ICT). Government policy must also ensure access extends to rural communities and do its part as a major user to stimulate demand.

Building Demand

Across the economy, as a large user of information technology, the government can play a large role by mandating online interactions, for its partners, for citizens, and for suppliers. Already, tax returns can be filed on line. Like any large user, by undertaking a commitment to online commerce and the related technology, governments can defray costs for suppliers and provide valuable incentive to adopt technology. To this end, the government should design initiatives to drive demand and adoption among key user groups, such as small and medium enterprises.

As the Competition Policy Review Panel noted in its June 2008 final report, the Internet is “a force for productivity growth because it promotes the more efficient use of business resources.”

Recommendations

That the federal government:

1. Continue to rely on private sector investment and competitive market forces to drive the rollout of broadband networks and facilities in Canada. In order to accelerate investments in next generation networks, amend tax policies to stimulate such investments on a geographically and technology neutral basis and provide access to infrastructure stimulus funding for the ICT sector.
2. Ensure that its contributions designed to help facilitate access to broadband facilities by Canadians in rural and remote areas, where market forces are not sufficient, are introduced in the least market-distorting manner possible.
3. Promote demand for broadband services by capitalizing on government’s role as a large technology user, including undertaking initiatives such as mandating online interactions and launching initiatives designed to drive demand and adoption among key user groups, such as small and medium enterprises.