

Bell Canada
Robert Malcolmson
Floor 19
160 Elgin Street
Ottawa, Ontario K2P 2C4



Telephone: (613) 785-0473
Facsimile: (613) 560-0472
bell.regulatory@bell.ca

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To: City of Toronto
100 Queen Street West
Toronto, Ontario
M5H 2N2

Subject: **Item EX31.8: ConnectTO Program Update**

Dear Members of the Executive Committee,

1. We are pleased to provide comments with respect to the ConnectTO Program and the *Report from the Deputy City Manager, Corporate Services and Chief Technology Officer, Technology Services on ConnectTO Program Update*¹ (the "Report"). This Report was submitted on 16 March 2022 for review by the Executive Committee to provide an update on the ConnectTO Program, the initial request for proposals for the city's proposed municipal broadband network and also make recommendations with respect to proposed next steps. At Bell, our purpose is to advance how Canadians connect with each other and the world. We appreciate that the City of Toronto's goals to ensure their citizens have access to high-quality broadband internet services at affordable rates align with our own corporate goals. There are, however, a number of policy, commercial and technology issues in the program structure that could introduce unintended consequences for the City and its citizens. In light of the outcomes of the Program to date and the details submitted in attachments to the Report; the recommendations that have been submitted to the Executive Committee may not be fully aligned to achieving the desired outcome.

Phase 1 of the Municipal Broadband Network (MBN) sought to serve buildings that were already well served by several providers – and Toronto is one of the most highly serviced broadband markets in Canada

2. The Report seeks City Council's endorsement for the proposed next steps for the creation of an MBN with the intention that it will be accessible to Internet Service Providers (ISPs) in order to provide affordable high-speed internet services directly to Toronto residents and businesses. We respectfully submit that the proposed MBN will not accomplish this stated goal.

3. The Report itself acknowledges that Toronto is "one of the most highly serviced broadband markets in Canada"². Information included in Attachment 3 of the Report, states that "**Data has shown that 2% of households in Toronto do not have home internet access, where half of these households report that the cost is the barrier**"³. Indeed, over 95% of households within the City have access to speeds in excess of 50/10 Mbps from Bell alone, with the vast majority of these households being served by world class Fibre-to-the-Premise (FTTP) services capable of gigabit speeds.

¹ Report from the Deputy City Manager, Corporate Services and Chief Technology Officer, Technology Services on ConnectTO Program Update (16 March 2022) ["The Report"], online: <http://www.toronto.ca/legdocs/mmis/2022/ex/bgrd/backgroundfile-222923.pdf>

² The Report, page 17.

³ Household Broadband Survey, MUCP, University of Toronto, p1 with reference to data from *Mapping Toronto's Digital Divide. Ryerson Leadership Lab and Brookfield Institute for Innovation + Entrepreneurship*, Andrey, S., Masoodi, M.J., Malli, N., & Dorkenoo, S. (January 2021).

4. The Report also notes that the City issued a Negotiated Request for Proposals (nRFPs) seeking suppliers to deploy fibre and provide low-cost high-speed internet access to 6,700 residential and business units in several Neighbourhood Improvement Areas but that "Although 45 vendors accessed the nRFP documents within Ariba, no submissions were received, resulting in a "no bid" or failed Procurement call."⁴ The Report further states that:

"the following are nRFP lessons staff learned from the failed Procurement call] that helped inform the proposed way forward for ConnectTO:

1. **There is little to no incentive for service providers** to partner with the City in the absence of a commitment of capital or serviceable fibre infrastructure;
2. **Dominant carriers own and control most last mile infrastructure.** The capital investment required for new infrastructure by non-dominant carriers is significant and can't be recouped through the low-cost subscriber pricing targets outlined;
3. **The City's focus on older buildings further limits partnership opportunities.** The City's vulnerable populations tend to reside in older facilities where cabling to them is largely legacy infrastructure owned by dominant carriers; and
4. **The addition of more City-owned fibre and duct in or near Neighbourhood Improvement Areas would provide more opportunities** to engage non-dominant service providers, though older facility access may still pose a challenge.⁵

5. We respectfully submit that **these are the wrong lessons to take away from the City's failed nRFP.**

6. We have carefully reviewed the sites within the nRFP and can confirm that Bell already provides residential fibre services to 41 of the 42 residential buildings that had been included in Phase 1 of the MBN.

- 24 buildings (representing 4,099 suites) have been upgraded to our best FTTP technology, including Fibre-to-the-Suite (FTTS), consistent with agreements we have in place with property owners.
- 17 buildings (representing 2,218 suites) have our FTTN technology.
- The one building that does not have access to our residential fibre services has high-speed broadband services from at least one other provider.
- The majority of the buildings not fully upgraded to FTTS are privately owned and any delays are due to delays in obtaining approvals from the property owner for upgrades to our services.
- All buildings have access to speeds in excess of 50/10 Mbps.
- Moreover, there are multiple providers servicing these locations offering users choice in the market for subscriptions.

7. Any City investments that would duplicate network infrastructure already in place could be better used to address the affordability gap which has been flagged in the Report. To be clear, access and availability are not the core issues.

8. Accordingly, the nRFP did not fail in our view due to a lack of incentives for service providers to partner with the City; the nRFP's targeting of "older buildings" with legacy infrastructure; or the lack of city-owned fibre and conduit infrastructure in or near the nRFP "Neighbourhood Improvement Areas". Rather, the City is already well served by broadband networks and the buildings that had been targeted for upgrades under Phase 1 of the MBN through the nRFP were all already well served by Bell and other providers.

⁴ The Report, page 9.

⁵ Idem.

9. Even if this were not the case, the manner in which the RFP contemplates the provision of open access to third party providers raises a number of operational risks including both availability and security. The technology investments required to successfully build and operate high-quality broadband services along with operational and compliance requirements is a highly complex undertaking. Bell's existing network serving Toronto is an end-to-end fully managed and supported network already available to third party service providers. Stringent guidelines are in place to ensure network performance and security. This is incredibly complex, requiring extensive investment and resources to achieve.

10. The City's nRFP also required that ownership of any networks built pursuant to the nRFP be turned over to the City at the end of the contract term. However, the investments required to successfully build and operate high-quality broadband services require more time than the contract term contemplates to be commercially viable. The substantial investment required to facilitate the services, including the Open Access requirements as prescribed by the City, are considerable. And the potential revenues from such a network are low given that the buildings it is meant to serve are already well served by several providers. Although no provider made a bid, it is highly likely that any provider that chooses to bid will only invest the bare minimum required under the contract in order to maximize their return over the life of the contract. This is likely to result in a network that is not future-proof and that declines in value and utility over time. Investment decisions will be based on short-term interest not long-term benefits. This model will not be sustainable and will not serve constituents well.

11. In any case, the fact that all buildings targeted by the nRFP already had access to high-speed broadband services and that the City's own Report and attachments acknowledge that the City is well served by broadband networks should be cause for pause in terms of the City's MBN strategy. There are better ways to achieve the City's objectives.

Affordable high-speed broadband services are available, the City should instead focus on tackling poverty and assistance for low-income citizens through subsidy programs

12. The Report states that "Low-cost service plans have been brought to market by some ISPs. However, there have been community concerns expressed about the quality, reliability and sustainability of these services in meeting their needs.⁶" It is questionable in our view that the City will be able to offer high quality, reliable and sustainable high-speed broadband services through an MBN at a lower price than a highly competitive market. It may be possible by compromising on one or more of these factors (price, quality, reliability and sustainability) but that would not be a good use of City funds.

13. There are existing programs that directly address issues of affordability. For example, on 11 August 2021, the Government of Canada announced the second phase of **Connecting Families**, which helps connect hundreds of thousands of low-income senior citizens and families to affordable high-speed home internet. Bell Canada is proud to be a founding member and largest participant in the Connecting Families program. Connecting Families 2.0 provides significantly faster speeds than the previous Connecting Families program. At 50/10 megabits per second (Mbps), the download and upload speeds will be five and ten times faster respectively than Connecting Families 1.0, with 200 GB of data usage for \$20 a month. This new program will also broaden eligibility to families receiving the maximum Canada Child Benefit (CCB) and include low-income seniors. We recommend that the City ensure that citizens are aware of the program and we would be pleased to work with the City on communication and marketing strategies to drive awareness and adoption.

⁶ The Report, p. 5

14. Nevertheless, the elephant in the room is that the affordability of broadband services may not be the actual reason for the lack of adoption by a certain segment of the population. Rather, it is poverty and the fact that paying for broadband, at any price no matter how low, entails the sacrificing of funds that would otherwise be used for food, lodging and other necessities. The Report states that "Despite being one of the most highly serviced broadband markets in Canada, broadband affordability and access barriers persist amongst Toronto's most vulnerable residents. Rising costs for housing and basic needs are already straining low-income households.⁷" This cannot be solved by an MBN, competition or pressure on the industry for the development of more affordable services. Instead, it must be addressed by tackling the sources of poverty and through subsidy programs that would assist low-income citizens with the purchasing of connectivity. We believe that the funding the City is currently planning to spend on an MBN would be better spent on such programs that would directly assist low-income citizens to ensure that broadband does not come at the sacrifice of other necessities.

Promoting the deployment of 5G services within the City will assist in closing the gap in broadband infrastructure access for the few locations that continue to remain underserved

15. As noted in the Report, in 2007 the City of Toronto created a *Prudent Avoidance Policy* which recommended that radiofrequency levels in new wireless tower locations remain 100 times lower than those recommended by the federal government. The Report further states:

Over 2020 and 2021, [the City's] Technology Service considered various internet connectivity solutions for public benefit, some of which were not pursued further due to the Prudent Avoidance Policy. Future innovation and proposals for connectivity, such as mesh networks leveraging tower installations, may be limited based on the Prudent Avoidance Policy. In addition, staff have also identified a need to strengthen the performance of the wireless networks within the City's telecommunications systems to support the City's return to office activities and hybrid methods of working⁸.

16. The Report further recommends that the *Prudent Avoidance Policy* be discontinued. As the City is well aware, wireless service providers are in a race to deploy 5G technology across Canada. Not only will 5G services foster innovation and enable new services within the City, it will also assist in the provision of high-speed broadband services to the few locations where access continues to be challenged, for example due to difficulties in serving a suite due to an inability to obtain a building owner's approval for an overhaul of a building's inside wiring. We accordingly support the recommendation for the discontinuance of the *Prudent Avoidance Policy*. The City should also facilitate access to City infrastructure for the deployment of 5G infrastructure and minimize any administrative burden associated with the siting of antenna systems within the City.

A City-Funded Municipal Broadband Network will not achieve the City's goals

17. It is clear that a City-funded MBN will not achieve the City's goals. The City is already well served by broadband networks as evidenced by its own Report and the fact that its initial RFP sought to serve buildings that were already well served by several providers. Existing programs are available now at no cost to the City to assist vulnerable residents. As an alternative use of funds, the City could leverage its resources to help identify families in need, provide assistance in helping them subscribe, enroll and qualify.

⁷ Ibid, pp 17-18.

⁸ The Report, p. 16.

18. Funds that had been planned for the creation of an MBN could also be redirected towards social-assistance programs that would subsidize the purchase of broadband connections. This would have a much more direct and positive impact on the City's most vulnerable residents that have difficulty affording broadband services at any price, no matter how low. We would be pleased to work with the City to drive awareness and adoption of any such program.

Yours truly,

[Original signed by R. Malcolmson]

A handwritten signature in cursive script, appearing to read "Rob Malcolmson", with a long horizontal flourish extending to the right.

Robert Malcolmson
EVP & Chief Legal and Regulatory Officer

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