31-B rue Nove Mesto
Cantley Quebec,
J8V3B2

Marc Morin
Secretary General
Canadian Radio-television and Telecommunications Commission
Gatineau, QC
K1A 0N2

June 5, 2024
Re: Telecom Notice of Consultation CRTC 2023-89
Broadband Fund Policy Review

Mr. Morin,

Executive Summary

1. As part of 307net's commitment to providing urban-quality internet in our rural setting at affordable prices, our model is based on keeping costs as low as possible while offering high-quality local support – neighbours helping neighbours.

2. As a new not-for-profit rural fibre provider who received government funding expected to cover most of our capital infrastructure costs but no ongoing operational expenses, this submission serves as a kind of case study on how funding capital infrastructure alone does not ensure that the resulting services are affordable or delivered reliably. In fact, we believe the current broadband funding environment sets smaller providers up to fail while further entrenching the power of the incumbent providers.

3. Given this, our submission supports many of the Commission's preliminary views on changes that can be made to the Broadband Fund to ensure that all Canadians have access to a world-class communication system that they can afford.

4. The main changes to the Broadband Fund that 307net supports include:

    • funding operational costs to help smaller, local, and community-owned rural and remote TSPs establish and maintain financial sustainability, in addition to funding for capital expenses related to the initial infrastructure build;

• funding improvements to network resilience and redundancy in rural and remote areas;

• expanding the objectives of the Broadband Fund to include ensuring that all Canadians have access to basic telecommunications services that are affordable and reliable;

• updating any future calls to employ the latest geographic model generally used by ISED or other funding programs at the time of the call, currently based on 250-metre road segments.

• removing the 50/10Mbps benchmark as the universal service objective, allowing the objective to increase over time;

• requiring that all future applications to the main component of the Broadband Fund be for projects that meet or exceed the universal service objective and that fixed broadband services should include unlimited data usage; and

• creating an Indigenous-specific application stream under the Broadband Fund for projects that provide telecommunications services as well as additional economic and/or social benefits to Indigenous communities.

About 307net

5. 307net evolved as a community response to being chronically under-served by the incumbents. Despite being only 30km from the nation's capital, until we built our network many households in our community only had access to speeds up to 3/0.2Mbps. It was becoming harder and harder to get things done that should have been much easier.

6. We understand that the incumbents are driven by a need to maximize their return on investment to bolster shareholder dividends, which means they focus their investments in urban Canada. But we believe the need for all Canadians to have access to affordable and reliable internet is more important. The Broadband Fund is a meaningful lever to address this market failure, but there are larger structural forces that it is not currently addressing.

7. On November 16, 2016 I first participated in a meeting with the mayors of La Pêche, Val des Monts and Cantley about our communities' connectivity struggles and it became clear that there was an interest in pursuing a community-driven solution. Following some meetings, a small cadre of citizens gathered to leverage their professional experience and the desire for better.

8. Together we made presentations to the municipal council to support an application to ISED's Connect to Innovate (CTI) program. We officially registered 307net as a not-for-profit on April 13, 2017. We are named after highway 307, which connects our communities together and to the rest of the world, a fitting metaphor for what we're trying to do.

Connect to Innovate funding

9. The initial project we developed was to connect almost 1000 under-served households across La Pêche, Val des Monts, Cantley and one street in rural Gatineau with 19 houses. As part of our preparation, we asked community members to submit expressions of interest if they wanted to access 307net services in the future. We had 664 expressions of interest, showing the extent of the need and our potential market.

10. As part of our commitment to our community, we worked with the long-range planning department of the municipality for two months before designing the network to align with their future plans.

11. Mapping the expressions of interest also supported our proposed network path and capacity planning, while keeping future growth in mind. Once built, our network trunk would be able to serve and sustain the usage of up to 10,000 households within our region.

12. As a condition of CTI funding, 307net had to contribute at least 20 percent of the total build costs but we modelled being able to borrow during the build and pay it back once we had subscribers. CTI funding also did not cover network installation beyond the fibre demarcation point attached to the outside of the house.

13. We anticipated needing a loan for $1,000,000 and the municipality agreed to act as a guarantor. The CTI program also has no funding available for operational costs of any kind, or any customer premise equipment. We submitted our CTI application on April 20, 2017.

14. As part of the application process, ISED's CTI program contested some of our planned service areas as being already served using their hexagon methodology, which meant dropping 307net's potential initial households within the service area to 718. We believed this would still be sustainable given the funding, our commitment to keeping overhead costs low, and being the sole fibre provider in the area.

15. In September 2018 our project was awarded $4.3 Million through a combined funding agreement with ISED's Connect to Innovate Program and Quebec's Haute Debit program.

16. Later, we would find out that Bell, Videotron, and Cogeco were awarded funding that overlapped with our service area through a different program offered by the Province of Quebec for which there was no public application process and that did not use the same hexagon methodology as CTI, meaning there were fewer strictures on the network footprints. This made our work harder before we even began as there was now additional competition both for network building resources as well as the eventual competition for subscribers.

The challenges of building 307net

17. Once we were awarded the funding, it became clear that there were some unanticipated make-ready costs. These included structural engineers to assess extra load on the telephone poles which also eventually led to a list of required improvements to the poles. Altogether the cost of this engineering work and the improvements was an additional $1.4M. There was also an additional $200,000 in expenses related to the pruning of underbrush along the fibre path.

18. We believe these pole improvement costs included not just the cost of the pole upgrades needed for our fibre project, but also that of Bell's fibre project in our service area. For example, we paid to have several poles straightened. As a result, we contend that we have subsidized Bell's entry into our market and given them the benefit of some of our broadband funding alongside that which they received on their own.

19. Alongside this work, we sought permit to use the poles belonging to Bell and Hydro Quebec. We originally submitted a list of all the poles needed for the network build. Bell assessed these on a pole-by-pole basis, granting access incrementally. It took 1056 days to receive the last of these permits from Bell, however while we were able to start some of the network build as we waited, we weren't able to provide any service or test across the network until the last permit was issued because the last permit Bell approved was in the middle of our network build path. To be fair, the global pandemic caused tremendous upset with human resources, but Bell's network build in our area proceeded throughout this time with no apparent issues.

20. The pandemic also had a significant impact both at the local contracting level and in accessing network equipment through the global supply chain. We were assigned 14 different project managers by our engineering firm over the course of the five years it took to build the network, often with no transition or continuity between these key players.

21. Additionally, we had planned for four construction teams to be working on the network build at the same time but were limited to one team throughout the build due to a lack of and competition for human resources. This was exacerbated by the number of competing projects that needed skilled workers.

22. At one point we were so excited to see a second team show up on the job site only to be told "sorry, we are not working for you, we have been contracted by Bell Canada". This is how we found out the Bell network build had reached our service area. Our project then slowed down further as Bell's teams flooded our job terrain ahead of us.

23. Supply chain delays further complicated our lives as we were told that the Juniper networking equipment would now take 18 months to deliver. This was too late for the closing date of the project and so to make the deadline we had to order a reclaimed unit on the secondary market that ending up costing more than it would have cost new, both because of increased demand and because Juniper charged a premium to re-certify the secondhand equipment. Later, Juniper deemed this router 'end of life' and we were required to buy a new one anyway adding to our unanticipated expenses.

24. Despite our preparation, we have also faced considerable challenges in credit financing. The project funds were disbursed from CTI and Haute Debit in tranches with a final holdback of just under $300,000 after the build was complete. In the meantime, we had to pay all our vendors which meant we needed to borrow to cover these costs until the holdback was released. Our interest rate for this additional lending was 10%, a very high rate given the source of funding was guaranteed from the federal and provincial governments, and the backing from the municipality. This added another $100,000 in interest charges until the holdback was released.

25. As of June 2023, we were finally up and running. We offer three plans, 50/50Mbps, 307/307Mbps and 1Gbps/1Gbps, all with unlimited usage. However, in the meantime Bell had built their network ahead of us and approached many of those in our service area. One potential subscriber told us that when they were first approached about fibre home internet, they assumed it was from 307net but the agents said that they were from Bell and trying to stay ahead of 307net. This potential subscriber then went ahead and subscribed to Bell services.

26. Because we need to hire third-party installers rather than having them on staff, 307net subscribers must pay $300 for the full cost of installation. We also rent modem/routers for $10/month, despite having to purchase them outright which is an operational carrying cost. Bell is offering free installation and free modem/routers, presumably as they are able to cross-subsidize any installation and equipment costs.

27. Finally, the costs of serving our higher-than-anticipated borrowing, including pole improvements which benefited Bell, mean we now struggle to price both as affordably as we would like, and even to compete with Bell promotions. People in our community have told me they are getting a 1.5Gbps service for a promotional price of $50 per month. The best we are able to offer is $85 for a 1Gbps service.

28. As a result, of the 664 original expressions of interest we received, and knowing that very few residents stayed with their slower connections when offered fibre, we estimate that Bell has added at least 400 of our potential subscribers to their customer base.

29. In the five years since we started our network build, about 50 new houses have been built in our service area. These houses were not accounted for in our original network build plans, first projected in 2018 and therefore we have no additional funding to add them to our network. They were able to be included in Bell's network design as it came later. This increases Bell's market share in our area while making it harder for us to compete.

30. Despite these challenges, we're proud to say that once we launched, we added about 10 new subscribers per week for many weeks. We currently have 270 subscribers.

Community involvement and stark choices

31. We have received good feedback from many of our subscribers. And thankfully, there is less troubleshooting with fibre connectivity than some older technologies. However, it is hard to provide the level of service we would like when we rely entirely on volunteers for this work at this time. Our plans to hire management, tech and HelpDesk support staff have been waylaid by our debt obligations.

32. We have received several customer testimonials, including:

33. "We are certainly grateful to 307net's team of volunteers – professionalism from A to Z. Since installation everything we undertake whether banking, accessing our security cameras or simply searching for the best flight or Airbnb... it's just so fast and smooth!" Sincerely, Lucy-Ann Adam and Yves Roy

34. "We arrived in Mont-Cascades in April 2002, right in the middle of the woods, in our little village. Sometimes, internet didn't work for hours, days. I admit having kneeled down, with clenched hands praying in front of a Bell technician, with real, heavy tears in my eyes. Internet was our lifeline as breadwinners. It was do or die. I can only salute all the team who organized this new 307net. It works! It's fast! It's wonderful! It saved our

lives! THANK YOU from the bottom of our hard drives!
Pierre and Darcia

35. In addition to helping our subscribers, we believe there is long-term value to a community when its infrastructure is community-owned. This includes opportunities for job placements and volunteering, supporting community events with free wireless connectivity, working with our municipalities to become smarter communities, and making future network investment decisions that are guided by community need rather than pure profit motives.

36. Unfortunately, after years of our community being under-served by the incumbents, and after overcoming so many obstacles to build our network, the future of 307net is already at risk, just a year after we first launched our services. Our lender has suggested it may call our loan, forcing us to sell our network assets.

37. We are submitting this intervention in the hope that 307net can apply to the Broadband Fund in the future for operational costs and potentially expanding our network. We are also trying to save other small providers, particularly those that are community-owned, from facing the same challenges we did.

Specific suggestions for changes to the Broadband Fund

38. We have offered a detailed description of why 307net was founded, the kind of funding we were able to access, what that funding enabled us to offer, and the limitations of the funding given the challenges of starting up a small, local rural fibre provider competing with incumbents. We believe this description illustrates the need for the changes we suggest the Commission make to the Broadband Fund. That said, we will keep our suggestions broad as to the implementation of our suggested changes, without diluting the need for them.

39. The most important proposed change to the Broadband Fund in our opinion is the addition of operational funding. We believe operational funding should only be offered to small, local and community-owned organizations. This is in recognition of the fact that these kinds of providers are under-represented and have different motivations for their work than the pure profit motives of the major incumbents.

40. For 307net, this could help fund a full-time paid staff including a CEO, office manager, network manager, installation technician, volunteer coordinator and HelpDesk Analysts. It could also enable 307Net to have an office which in turn enables more capacity-building. For example, we applied for a Canada Summer Jobs position, but couldn't accommodate the need for paid staff to supervise or an office for people to work. An

office would also be a place for us to store inventory and tools. It could also act as a connected community space when needed.

41. Operational funding could also help cover the costs of insurance, memberships in organizations like ARIN, Cognibox, and industry associations, and so many other organizational necessities.

42. We further believe that operational funding should be offered to these organizations on an ongoing basis to ensure their ongoing sustainability. We believe this reinforces community digital resilience as well as network resilience and redundancy.

43. We also support funding for network resilience and redundancy upgrades. But again, we believe this funding should only be offered to small, local and community-owned organizations. While we support funding to help connect under-served communities from any provider, we believe that given the size, scope and economies of scale of the large incumbents mean they should be required to meet network resilience standards without additional funding.

44. We support the Commission's preliminary view that it would be useful to expand the objectives of the Broadband Fund to include ensuring that all Canadians have access to basic telecommunications services that are affordable and reliable.

45. Given our experiences with the limitations of the hexagon model of assessing service availability during our CTI application process, we support that future calls for the Broadband Fund employ the latest geographic model generally used by ISED or other funding programs at the time of the call, currently based on 250-metre road segments.

46. Given the growing need for faster services, we support removing the 50/10Mbps benchmark as the universal service objective, allowing the objective to increase over time. We also believe that all future applications to the main component of the Broadband Fund be for projects that meet or exceed the universal service objective and that fixed broadband services should include unlimited data usage.

47. During my career with the National Museum of Man/Canadian Museum of Civilizations/ now Canadian Museum of History, I worked with elders to share their stories. I also got some insight into the inequities Indigenous communities face. Broadband is only one piece of this, but it is crucial. To that end, we also support the Commission creating an Indigenous-specific application stream under the Broadband Fund for projects that provide telecommunications services as well as additional economic and/or social benefits to Indigenous communities.

48. We appreciate the Commission extending this process as it enabled us to participate.

Thank you,

John Lomoro
Founder and CEO, 307net

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