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BY EMAIL

Mr. Greg Lang
Major Case Director and Strategic Policy Advisor
Competition Promotion Branch
Competition Bureau
Place du Portage Phase I
50 rue Victoria
Gatineau, QC
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Dear Mr. Lang,

**Submission of Xplornet Communications Inc.
in Response to Broadband Market Study**

We are writing in response to the Market Study Notice published May 10, 2018, announcing the Competition Bureau's ("Bureau") market study regarding the broadband sector in Canada (the "Market Study"). The purpose of this short letter is to briefly highlight Xplornet's perspective on the broadband sector and the content of the Market Study Notice, and to convey Xplornet's willingness to meet at your convenience to provide more detailed oral submissions regarding these important issues.

I. Introduction

Headquartered in Woodstock, New Brunswick, Xplornet Communications Inc. ("Xplornet") is a Canadian broadband service provider that uses innovative technologies to serve over 350,000 households and businesses across Canada. Xplornet is Canada's fourth-largest licensed spectrum holder¹ and operates a national facilities-based broadband network that includes over 2,000 fixed wireless broadband infrastructure sites and five operational 4G satellites.

Unlike most of the other 12 largest Internet providers in Canada, Xplornet did not originate from a regulated monopoly telephone or cable business, in which customers were

¹ Excluding millimeter wave (mmWave) spectrum.

assigned to a company based on a defined service area. Instead, Xplornet started in the competitive business of Internet services, which the CRTC had forbore from regulating. From its formation, Xplornet has had to compete for customers. Today, Xplornet offers broadband access services as well as IP-based home phone services across Canada in rural and remote areas and, starting in _____, mobile wireless (voice and data) services in Manitoba.

Xplornet chooses to focus on providing broadband service in low population density areas of Canada. To accomplish this goal, Xplornet uses the best-fit technology that will provide the service customers want at the most cost efficient price. As the population density declines typically _____ households per square kilometer, fixed wireless technology becomes more cost efficient than wired technology, such as fiber and cable, to deliver broadband services. Similarly, as the population density declines below approximately _____ households per square kilometer, satellite technology becomes the most cost efficient method to deliver broadband. Of the 15.4 million households in Canada, Xplornet estimates that approximately _____ households are in these lower density areas and are not served by a wireline technology capable of delivering 10 Mbps or greater broadband service. These “uncabled” areas, which can be right outside major cities or in remote northern villages, are where wireless technologies are competitively the more cost efficient technologies for providing reliable, affordable broadband access.

II. Broadband Competition is Vigorous and Intensifying

As the Market Study Notice observes, the majority of Canadian homes – which are located in urban areas – currently receive broadband Internet service through fiber or other wired networks built and operated by incumbent telephone or cable telecommunications providers. Unlike Xplornet, these companies originated as regulated monopolies and enjoyed defined service areas, with one telephone wire and one cable wire connected to each home. As technology has evolved, each of those two wires have evolved in the same type of fiber connection, thereby creating competition between the two facilities-based providers. The introduction of rules requiring owners to allow resale of their facilities by other parties created more competition. Wireless technology now provides another source of potential competition, particularly as more and more Canadians opt to “cut the cord”.

However, the situation outside Canada’s urban areas evolved quite differently. The only wire running to most houses in rural and remote areas of Canada was a copper telephone line that could not support a high speed Internet connection. The cost to run fiber to these low density areas was prohibitive in a competitive marketplace. Instead, different technologies were developed to deliver cost effective broadband service. These wireless technologies were not subject to the same regulatory barriers as regulated cable and telephone services, which meant that wireless Internet service providers (“WISPs”) found it relatively easy to deploy facilities of their own and start providing services in their local communities. It is estimated, based on the CRTC’s annual Communications

Monitoring Report, that there are over 400 WISPs of varying sizes providing broadband services across Canada.

In addition, mobile wireless providers have deployed networks to cover 99% of Canada's population, including the vast majority of the "uncabled" areas. With the use of a hub or stick (dongle), a mobile wireless network can be used to provide a data-only broadband connection.

With the advance of LTE technology, fixed wireless and mobile wireless technologies now use the same or very similar radio access equipment to provide connect to customers. This integration is expected to continue with the introduction of 5G technology next year, which will enable download speeds of 100 Mbps or higher, thereby rivaling fiber.

The result of facilities-based competition from the beginning in rural and remote areas of Canada has been that virtually every household has the choice of several potential service providers, and it is not unusual to encounter four or more ISPs in rural areas.

With the cost of the radio access equipment declining and with the mandatory tower sharing rules that allow any carrier to obtain access to existing infrastructure, the potential for even more competition exists.

III. The Market Study Should Not Ignore Wireless Broadband

The Market Study Notice recognizes that competitive alternatives for households in Canada's urban areas are often limited and one of its main goals is to find ways to encourage competition between traditional wireline providers and resellers. However, it is important to bear in mind that there is more to broadband than wireline, and more to broadband competition than wireline resellers.

As noted above, competitors in "uncabled" areas can outnumber the competitors in urban areas. More importantly, as the choice of facilities used to serve customers is dependent on cost, each technology acts as a discipline on the others. If fiber providers were to attempt to raise prices, mobile wireless carriers would encourage people to "cut the cord" and fixed wireless providers would start to gain customers in the suburbs. If wireless prices increase, there is incentive for fiber to be deployed into lower density areas to provide an alternative. The result is competitive discipline.

If the Market Study focuses solely on one technology, it will miss the competitive services using other technologies offered by other facilities-based providers. More importantly, it will miss the next evolution of technology. Wireless broadband technology is already an important part of Canada's broadband landscape. Today, Xplornet is able to offer wireless broadband with download speeds of up to 25 Mbps, which is equivalent to many entry- to mid-tier packages available through wireline infrastructure and faster than

DSL options. The 5G equipment for fixed wireless deployment, to be used for connecting households and businesses in rural areas, is anticipated to be commercially available in Canada for deployment in 2019. The 5G equipment for mobile use, which is expected to be first deployed in urban areas, is anticipated to be commercially available in 2020. Regardless of its fixed or mobile deployment, the 5G equipment is expected to deliver speeds of 100 Mbps or more initially, making wireless facilities providers competitive with fiber facilities providers.

If the Market Study looks only at providers and resellers of wired facilities, it risks missing the wireless competitive alternatives that exert more competitive discipline on wired resellers than may be initially apparent.

IV. Conclusion

As the foregoing suggests, barriers to entry are falling across the broadband industry as wireless technology improves and wireline begins to lose its privileged access to consumers. Under these conditions of rapid technological and competitive change, the Market Study represents an important opportunity for the Bureau to deepen its understanding of a market undergoing transformative evolution. In particular, the Market Study is an opportunity for the Bureau to endorse and advocate for a posture of regulatory restraint as the engines of competition in Canada's dynamic and developing telecommunications market continue to run.

As noted above, Xplornet would be pleased to meet at your convenience to provide further submissions and information regarding the foregoing or any other topic that may be of interest. We believe that Xplornet's perspective will help to ensure that the Market Study fulfills its mandate of enabling the Bureau to increase its knowledge and understanding of the competitive dynamics of the broadband industry in accordance with paragraph 12(b) of the Market Study Notice.

We commend the Bureau for its initiative in launching the Market Study and look forward to offering whatever assistance we can.

Yours truly,

(signed)

CJP/

Christine J. Prudham

cc: James Maunder, *Xplornet Communications Inc.*