

Intelligence MEMOS



From: William B.P. Robson and Grant Bishop
To: Canadian Telecommunications Users and Regulators
Date: March 24, 2020
Re: **CORONAVIRUS CRISIS SHOWS VALUE OF ROBUST DIGITAL INFRASTRUCTURE**

Like so many Canadians, we at the C.D. Howe Institute responded to the COVID-19 crisis by suspending almost all in-person activities.

As in most workplaces, everyone at the Institute is collaborating online and by teleconference. Meetings with members and stakeholders are virtual.

All over Canada, people are getting information, communicating with suppliers and customers, buying, selling and transferring funds through wires and wireless networks. Education is going online. Healthcare's transition to virtual has accelerated, with consultations and follow-ups increasingly managed remotely.

This change is a vivid example of the value of robust digital infrastructure that is reliable and cost-effective day-to-day, and able to handle surges in demand under stress. Just as we need a healthcare system that can accommodate sharp increases in acute-care requirements, just as we need border infrastructure that can deal with extra traffic or screening, we need telecommunications infrastructure that can reliably connect us when other ways of carrying on business and staying in touch with each other do not work.

Over the past week, use of Canada's telecommunications networks has surged. Providers tell us that traffic has been unprecedented, and their network overseers are on overtime to ensure system reliability.

Some users, like us, experienced temporary delays in connecting. Cell networks got congested in certain locations. Overall, however, services held up robustly as shut-in Canadians browsed the web, video-conferenced, battled each other's online avatars and binged on streaming services.

Why did this acceleration in digital activity and heightened virtual connectivity work? Because generations of technological progress and physical investment now deliver unprecedented amounts of data across wires and airwaves close to the speed of light.

Lower quality networks would have buckled under the increased demand. A recent [report](#) by Boston Consulting Group's Centre for Canada's Future highlighted the history of capital investments in Canadian telecommunications facilities that have yielded world-leading network quality. The enabling role of communications infrastructure – and the extent to which its benefits spill over to society – are much in evidence. Which underlines the importance of a regulatory environment that promotes further investment in this increasingly critical sector.

The federal government and Canada's communications regulators have recently emphasized three priorities. One is geographic. Canada's size and large areas of low population density are challenges for telecommunications infrastructure. Rural and remote connections lag network speeds in higher density centres. But any policy response to this so-called [digital divide](#) must wrestle with economic questions: extending equivalent coverage to remote areas involves significant fixed costs (\$8 billion is a recent estimate to close the broadband gap).

Demand from prospective users may not deliver sufficient profits to compensate for the outlay. We have fresh evidence of the positive externalities from connectivity. Are governments ready to subsidize the investments to make them attractive to the people who must build them?

Another priority for the government is price. As cellular services have become increasingly central to daily life, the cost of data – whether for online banking, checking COVID information from health ministries, or watching Tiktok – has become a populist issue. The federal government has mandated a 25 percent reduction in cell service charges. Cutting revenue would undermine, not enhance, the incentive and capacity for telecom providers to make the infrastructure investments we want. This is not a good time for supply-crimping price controls.

The third, related to both coverage and cost, is mandated access to the existing networks by new providers. The flashpoint (before COVID-19 sidelined other issues) was whether re-sellers of telecom services should have more access at lower rates to providers' infrastructure. As outlined in a [communiqué](#) from the Institute's Competition Policy Council last week, there is a risk that such mandated access could impair future investments and stagnate roll-out of Canada's next generation of digital infrastructure.

Recent experience demonstrates that, whatever discontents the federal government may be channeling, the quality and coverage of Canada's networks, the cost of services, and the variety of platforms and carriers available, is impressive.

Our telecommunications infrastructure is a vital asset. Good public policy should strengthen it.

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