EXPANDING TELECOMMUNICATION SYSTEMS SPELL HIGHER COSTS FOR MUNICIPAL TAXPAYERS

Municipalities subsidize telecommunications companies by more than $107 million a year, and a federal decision to open the telecommunications industry to foreign ownership could add millions more to the bill.

This subsidization has been going on since the current *Telecommunications Act* came into force in 1993. The Act was intended to open up the telecommunications industry to competition and create new services for Canadians, and it did. But municipalities were soon dealing with dozens of competing telecommunications companies, all wanting to install their equipment on municipal property. This involves digging up municipal roads, shortening road life and costing municipal taxpayers money.

The issue has been complicated by the intervention of the CRTC, which regulates telecommunications in Canada, in disputes between municipal governments and telecom companies over access to municipal rights of way, such as roads. Until recently, the CRTC's interpretation of the *Telecommunications Act* gave telecom companies a great deal of discretion on access rights and compensation. This intervention has deprived municipal governments of control over the use of public property by for-profit companies.

Expanding the telecommunications sector

Following the federal government's announcement in the 2010 Speech from the Throne that it intended to open the telecommunications sector to greater foreign ownership, the Federation of Canadian Municipalities (FCM) commissioned a research paper into the potential impact of increased foreign investment and new technologies on municipal infrastructure and costs.

The paper found that Canada can absorb additional investment in its telecommunications sector, if adoption rates are increased through more competitive pricing. This suggests there is room for growth in the Canadian telecommunications market and that an influx of foreign capital could spur another round of intense competition, with the associated need for more telecommunications infrastructure on municipal property.

In the near term, the forecast investment will be skewed toward the wireless sector, which means more towers and relay stations. These would have some impact on municipalities and their residents, primarily in the areas of site selection and liability. The real impact will come as the market and technologies mature, and investment and engineering shift to fibre cable installation as companies seek wider coverage in the Fibre to the Home (FTTH) and Fibre to the Building (FTTB) market.

New technologies, new challenges

FTTH and FTTB will pose a challenge to municipalities. While the fibre-to-the-premises (FTTP) market in Canada is still small, demand will expand as individuals, firms and governments see the opportunities made possible by high-speed (one-to-two-gigabit and beyond) Internet services, which could support a full range of e-services and e-industries. While municipalities welcome lower, more competitive prices to encourage the development of Internet-based businesses and services for their communities, they are concerned about the impact of more demands for access to their rights-of-way to accommodate fibre installations.

In short, unless the current regulatory regime is changed to better protect the public interest, new capital, new players, new technologies and new liability issues have the potential to create a "perfect storm" that could swamp municipalities with significant new costs.

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