



Canada's Digital Economy Strategy

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The Ministers of Industry, Human Resource Development and Heritage jointly released a consultation paper on May 10, 2010 entitled “Improving Canada’s Digital Advantage” – the paper focuses on developing a Digital Economy Strategy for Canada, with submissions due on July 9, 2010. The Government’s consultation follows on the heels of the Speech from the Throne and the recent Budget that recognized that “a strong digital economy will contribute to a more prosperous and competitive Canada”.

Digital strategies are in vogue around the world as countries are increasingly recognizing the importance of being connected in the information age – with Internet traffic continuing to grow at 40% per year or more, with mobile services at over 100% penetration in many countries, and increasing convergence of networks – mobile and fixed, telephone and cable. And thanks to Blackberries, iPhones, Androids and other devices, we are not just living in the information age, but in the age of instant information.

Against this backdrop, Canada now has before it a broad agenda for all aspects of the digital economy. We highlight below, in no particular order, a few of the key issues which we anticipate will shape the future success of Canada’s national digital strategy, some of which are clearly addressed in the consultation document, and others not so much.

- Spectrum availability and a timetable for release of spectrum: how much additional spectrum is needed to meet future demand and needs, how and when should it be awarded? The consultation document does not ask how much new spectrum is required but only requests input about the “steps that should be taken to ensure there is sufficient spectrum available”. European countries refer to the spectrum liberated as part of the Digital TV transition as a “Digital Dividend”, clearly meaning it is a positive development. It seems unlikely that this spectrum will be awarded in Canada before the planned D date of August 2011, so when will it be? Government has a plan to inventory spectrum use in the country and to “publish a timeline for upcoming auctions and consultations”, although no timeline was provided for the publication of the spectrum award timeline itself, which was raised by many interveners during Industry Canada consultations held in 2009.
- A comprehensive plan for the Digital TV transition: what are the proposed details or when will they become known?
- Direct Foreign Investment in telecom, but also in cable TV and broadcasting. Many countries have already implemented different FDI rules for “carriage” versus “content” to increase competition in networks and thus investment in infrastructure, a key lever of the digital economy.



- Access to civil infrastructure to reduce costs: some countries have gone ahead to implement sharing of civil infrastructure to reduce the costs of building fiber in access networks. The Government's consultation document raises the issue related to access to civil infrastructure, and mentions the need for collaborative efforts by various stakeholders, but does not propose any solution or ask specific questions on how these issues could be addressed.
- Overall legislative and regulatory framework and the role of the regulator or in Canada's case "regulators". Some countries have selected the path of a single regulator for all content and carriage including spectrum award. Others have chosen to implement a two-headed structure with a regulator in charge of content and broadcasting rules, and another one in charge of anything related to carriage or network issues: telco, cableco or converged networks. Both approaches could be debated in Canada to assess which one would best fulfill the objectives pursued.
- How to enhance usage of web technologies and e-commerce by Canadian businesses? What are the minimum Internet speeds and objectives that should be available to Canadian firms to be successful in this new digital economy and are facilities and services available to the vast majority of Canadian firms wherever they are, or are some Canadian businesses forced to make do with legacy technology because of availability or cost issues? Do we know what the current "lay of the land" is for business customers and what is needed to ensure future success?

A few elements of this digital strategy are already in place or in development. Notably, the Broadband Canada program to increase high speed Internet coverage to households in rural areas, tax incentives for investing in new computer hardware and software, the 2009 consultation on Copyright reform, a review of foreign investment restrictions in telecommunications as well as the repurposing of 2500 MHz spectrum.

However, conspicuously absent from the Government's consultation paper are quantifiable and actionable objectives and targets. Input is actually requested on whether we should have targets at all and if so what the timelines should be.

Canada's approach can be contrasted with the more command-and-control style of the FCC's Broadband Plan for the US, released in March 2010 (see our comment [here](#)). The FCC's main themes include connecting 100 million households with 100 Mbps by 2020, freeing up 500 MHz of new spectrum over 10 years and ensuring that every community has 1 Gbps access for "anchor" institutions – schools, hospitals and government. The FCC's plan recognizes the distinction between overall digital strategies and the underlying broadband connectivity that is the critical infrastructure needed. While the FCC's targets may be difficult if not impossible to achieve in the near term, they provide a set of tangible targets – something to strive for that will promote forward momentum towards a goal of getting back out front in the information age.



As the Canadian consultation paper ends asking “should we set targets” and should there be a timeframe, our friendly competitor/neighbour has gone a long way to laying down the proverbial gauntlet, even though the FCC plan is very challenging and does face some level of opposition.

We invite you to contact us if you would like to discuss the issues related to Canada’s National Digital Strategy in more detail and the response that could be developed for your organization or association in the context of this important matter and consultation.

Please stay tuned to www.LYA.com for upcoming information on our strategic research program. LYA is developing a series of new reports to be released shortly including all-new independently-developed forecasts of the Canadian mobile broadband market as well as the results of primary consumer research conducted in 2009 and 2010.