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April 8, 2005

Ms. Diane Rhéaume
Secretary General
Canadian Radio-television and
Telecommunications Commission
Ottawa, Ontario
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Dear Ms. Rhéaume:

**Re: Telecom Public Notice CRTC 2004-1, Review and disposition of
deferral accounts for the second price cap period – Interrogatories
Responses**

1. The Canadian Cable Television Association (CCTA) submits the attached interrogatory response as requested by the Commission pursuant to the procedures established in the Commission's letter dated March 11, 2005.

Sincerely,

Michael Hennessy,
President
Attachment

cc.: Parties to Public Notice 2004-1

INFORMATION REQUESTED BY
CRTC

March 11, 2005

ITEM NO. 101

Q. CERTAIN PARTIES WHO PROPOSED USING DEFERRAL ACCOUNT FUNDS TO EXTEND BROADBAND PENETRATION IN CANADA SUGGESTED THAT A PROGRAM TO DO SO COULD BE MODELED UPON OR OPERATED IN CONJUNCTION WITH INDUSTRY CANADA'S BROADBAND FOR RURAL AND NORTHERN DEVELOPMENT PILOT PROJECT PROGRAM (BRAND) AND/OR NATIONAL SATELLITE INITIATIVE (NSI) PROGRAMS. FOR EXAMPLE, MICROCELL SUBMITTED:

MICROCELL PROPOSES THAT THE NEW BROADBAND SUBSIDY PROGRAM BE MODELLED UPON, AND PERHAPS EVEN OPERATE IN CONJUNCTION WITH, THE FEDERAL GOVERNMENT'S EXISTING BRAND AND NSI PROGRAMS.

COMMENT ON AN OPTION WHERE THE COMMISSION WOULD ALLOCATE A PORTION OF EACH ILEC'S DEFERRAL ACCOUNT DIRECTLY TO INDUSTRY CANADA'S BRAND AND/OR NSI PROGRAMS TO EXPAND BROADBAND TO UNSERVED AREAS.

R:

CCTA supports the general principles and purpose of Industry Canada's Broadband for Rural and Northern Development Pilot Project Program (BRAND) and National Satellite Initiative (NSI) programs, and agrees that these programs provide models warranting Commission consideration. However, CCTA considers that a direct allocation of deferral account funds to these programs could prevent the Commission from ensuring that its objectives are being fully met and would limit the effectiveness of the funds to expand broadband to unserved areas. Accordingly, CCTA does not believe that the direct allocation of deferral account funds to either the BRAND or NSI programs is the most preferable approach.

CCTA's recognition of the value and importance of the BRAND and NSI programs has been clear throughout its participation in this proceeding (see, for example: CCTA(CRTC)23Jun04-4; CCTA(CRTC)23Jun04-5; CCTA(CRTC)23Jun04-11; CCTA Comments dated May 19, 2004 at paragraphs 13, 28, and 64; and CCTA Comments dated October 15, 2004 at paragraphs 28, 38, and 129). CCTA has described the benefits that could flow from a coordination of Commission efforts and existing federal government programs including, but not limited to, simplified administration and reduction of overlap. CCTA's proposal that deferral account funds be used solely in support of constructing transport facilities is intended to be complementary to and not a replication or replacement of such programs. As such, CCTA does not support the direct allocation of deferral account funds to federal government programs under their existing mandates. CCTA submits that in all cases, regardless of the administrative model adopted, the Commission should retain authority over the disposition of the funds and the terms according to which projects would be eligible for funding.

In response to CCTA(CRTC)23Jun04-11 b)- c), questions that went to the issues of administering CCTA's proposal for rural broadband transport facility construction, CCTA offered the following:

Alternative procedures to implement the CCTA's proposal could include the following:

1. Industry Canada: Industry Canada has experience with and existing processes in place for the administration of similar broadband programs. Although the CCTA does not recommend that Industry Canada be solely responsible for administration of the program, there could be benefits if Industry Canada takes an active role. Among other responsibilities, Industry Canada could:
 - determine whether the communities in question have received funding from Government programs;
 - determine if there are communities that are geographically close to the community under consideration and whether the transport facility build could be modified to include two or more communities; and
 - conduct a preliminary review of the communities and make recommendations to the Commission or prioritize the communities under consideration.

2. Industry Consortium: An industry consortium, similar to the Canadian LNP Consortium or the Canadian Portable Contribution Consortium, could take on the responsibility to administer the transport facility program and the administration of the deferral account funds.

CCTA is of the view that, in the event such bodies take on an active role, the Commission should maintain its authority with respect to the overall disposition of any funds in the deferral accounts. While other bodies could administer much of the day-to-day processes, it should remain the Commission's responsibility to ensure that decisions taken to allocate funds are reasonable and consistent with the Commission's objectives.

BRAND and NSI, while commendable and complementary, have different objectives from those envisioned by the Commission for the use of deferral account funds. Moreover, unlike BRAND and NSI, the CCTA proposal encourages the Commission to implement a program that provides the greatest benefit to the most communities that do not have broadband services available. Under the CCTA proposal, funds from the deferral account would be used *only* for transport facilities to communities that do not have broadband service. The broadband service provider would be responsible for the costs of equipment and facilities to enable broadband Internet within the community.

Limiting draw down of the deferral account to recovery of transport facilities costs allows more communities to benefit and creates incentives to efficiently deploy broadband in the community. Excluding local plant costs from those costs eligible for funding ensures that the proposal will foster competitive neutrality among potential service providers.

The CCTA plan is competitively neutral and promotes facilities-based competition. It will allow the incumbent telephone companies, cable companies and other service providers to deploy broadband service in unserved communities. The CCTA's proposal is therefore preferable to a direct allocation of deferral account funds to existing federal government programs as it opens up opportunities for a range of broadband service providers to take the initiative.

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