



June 10, 2005

BY E-MAIL AND MESSENGER

Ms Diane Rhéaume
Secretary-General
Canadian Radio-television and
Telecommunications Commission
Ottawa, ON K1A 0N2

**Re: Telecom Public Notice CRTC 2004-1, *Review and disposition of deferral accounts for the second price cap period ("PN 2004-1")*
Final Comments of Fido Solutions Inc.**

Dear Ms Rhéaume:

1. On behalf of Fido Solutions Inc. (previously, Microcell Solutions Inc.), we are pleased to submit the attached Final Comments as part of the proceeding initiated by PN 2004-1.
2. These Comments, for the most part, draw from and reiterate our initial comments of May 13, 2004, as well as subsequent submissions. Fido (as successor to Microcell) participated in the interrogatory phase that made up part of the PN 2004-1 process, and we have reviewed the submissions and interrogatory responses of other parties. Based on all this, Fido continues to advocate and recommend that the accumulated surpluses in the ILEC deferral accounts be dedicated to a competitively neutral national subsidy program to promote the deployment of broadband internet access in unserved and under-served regions of Canada. Furthermore, as herein presented after, the record of this proceeding has shown that there is considerable and broad support by various parties to allow for such use of deferral accounts monies.
3. Fido also submits that eliminating the contribution collection mechanism would benefit all stakeholders – competitors, ILECs and customers and represents an appropriate use of the deferral account balances.
4. We appreciate the opportunity to file these Comments, and remain,

Yours very truly,

FIDO SOLUTIONS INC.

Per: Yanick Boily
Counsel, Regulatory Affairs

Att.
cc: Interested Parties to PN 2004-1

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Telecom Public Notice CRTC 2004-1

**Review and disposition of deferral accounts for
the second price cap period**

Final Comments of

FIDO SOLUTIONS INC.

JUNE 10, 2005



1. Introduction

1. We are pleased to submit these Final Comments on behalf of Fido Solutions Inc. (previously, Microcell Solutions Inc.), pursuant to the procedures established in Telecom Public Notice CRTC 2004-1 dated 24 March, 2004 ("PN 2004-1"), as amended by subsequent letters from the Canadian Radio-television and Telecommunications Commission ("Commission" or "CRTC").
2. These Comments, for the most part, draw from and reiterate our initial submission of May 13, 2004. Fido (as successor to Microcell) also participated in the interrogatory phase that made up part of the PN 2004-1 process, and we have reviewed the submissions and interrogatory responses of other parties.
3. Consistent with our May 13 submission, Fido continues to advocate and recommend that the accumulated surpluses in the Incumbent Local Exchange Carrier ("ILEC") deferral accounts be dedicated to a competitively-neutral national subsidy program to promote the deployment of broadband Internet access services in unserved and under-served regions of Canada. Such a program could be modelled upon, and perhaps even operate in conjunction with, Industry Canada's well-respected Broadband for Rural and Northern Development ("BRAND") program and the National Satellite Initiative ("NSI").
4. Furthermore, Fido submits that eliminating the contribution collection mechanism would benefit all stakeholders – competitors, ILECs and customers and represents an appropriate use of the deferral account balances.
5. Fido's proposal, as described in further detail below, would satisfy all the Commission's stated policy objectives for the disposal of the deferral accounts, and moreover would make a substantial contribution to realizing the federal government's *Connectedness Agenda* for Canadians.

2. Background

2.1 *Inukshuk and the deployment of broadband in outlying areas*

6. Fido has a keen interest in this proceeding, and we are very enthusiastic about the promise held by our proposal to use deferral account surpluses to assist in the deployment of broadband facilities to unserved and underserved areas, in a technology and competitively neutral fashion. We believe that Fido and other parties can play an important role in leveraging the funding available from the deferral accounts to help close the "digital divide" and provide Canadians, wherever they live, with access to quality broadband services and the opportunities these bring about.

7. Inukshuk Internet Inc., originally a wholly-owned subsidiary of Microcell Telecommunications Inc., was formed in 1999. Following a competitive licensing process, Inukshuk was selected by Industry Canada in 2000 to be granted licences for Multipoint Communications System ("MCS") spectrum to build a unique, "last mile" broadband wireless access ("BWA") network. The MCS licences cover a population of some 30 million people, comprising all the provinces and territories of Canada, with the exception of Manitoba and Saskatchewan.
8. In November 2004, Rogers Wireless Inc. acquired Microcell Telecommunications and its subsidiaries. As a result of this acquisition, Inukshuk Internet Inc. amalgamated with Microcell Solutions Inc., and the entity resulting from the amalgamation was ultimately named Fido Solutions Inc. As a result of this, Inukshuk is now a division of Fido Solutions Inc.
9. Since formation, Inukshuk has worked diligently, first, to identify and develop the technology best able to utilise the MCS spectrum and deliver attractive broadband wireless services to Canadians. In fact, Inukshuk has had considerable success working with partners in deploying broadband wireless facilities in some of Canada's remotest communities.
10. For example, Inukshuk first launched commercial broadband wireless services at the beginning of 2004. Working with its partner SSI Micro, the first Canadian launch of new multipoint communication system ("MCS") technology was in February 2004 in Yellowknife. Shortly thereafter, Microcell Solutions Inc. launched iFido high speed Internet service in Richmond, B.C. and Cumberland Ontario.
11. Since these launches, the High Speed wireless network build-out has continued at a fairly aggressive pace in both northern and southern Canada. There are currently more than 40 communities in Northern Quebec, and the Nunavut Territory operational via the Inukshuk MCS spectrum and utilizing the same technology as southern Canada, and many more are planned in 2005. These communities were built in many cases with the co-operation of BRAND, NSI and local partners such as KRG (Kativik Regional Government) and SSI Micro and would not have been economically feasible without such support.

2.2 The ILEC Deferral Accounts

12. The ILEC deferral accounts were established in Telecom Decision CRTC 2002-34, *Regulatory framework for the second price cap period* ("Decision 2002-34") and Telecom Decision CRTC 2002-43, *Implementation of price regulation for Télébec and TELUS Québec* ("Decision 2002-43") as a mechanism to mitigate potential effects on local competition from mandated rate reductions that could result from applying an inflation less productivity offset ("I-X") constraint to the basket of residential local services in non-high cost serving areas ("non-HCSAs"). The ILECs were directed to assign to their respective deferral accounts, in each year of the price cap period, an amount equal to any revenue reduction that would otherwise be

required under the I-X constraint for the basket of residential local services in non-HCSAs.

13. PN 2004-1 asks interested parties to consider how best to dispose of the surplus amounts expected to accumulate in the ILEC deferral accounts. The following policy objectives, initially set out in Decisions 2002-34 and 2002-43, were provided as a guide¹:
 - a) to render reliable and affordable services of high quality, accessible to both urban and rural area customers;
 - b) to balance the interests of the three main stakeholders in telecommunications markets, (i.e., customers, competitors and incumbent telephone companies);
 - c) to foster facilities-based competition in Canadian telecommunications markets;
 - d) to provide incumbents with incentives to increase efficiencies and to be more innovative; and
 - e) to adopt regulatory approaches that impose the minimum regulatory burden compatible with the achievement of the previous four objectives.

3. The Need for Broadband Access

14. Ready access to broadband access is widely recognized across Canada, and indeed across the world, as a vital enabler of economic and community development in the new century.
15. Broadband access permits individual citizens and business enterprises (for example, SMOs and SOHOs) to participate to the fullest extent possible in the new information economy, independent of their geographic location. Broadband networks can also be used to deliver valuable distance learning and health services, especially to remote communities, as well as “basic” voice service, through the use of VoIP technology.
16. Yet despite all of this enabling potential, large numbers of Canadian communities have little or no access to broadband services. In November 2004, the Commission itself noted in its annual report on the Country’s telecommunication industry that while 95% of urban Canadian households can access broadband service, only 63% of the rural households have the same opportunity². Hence, it is safe to conclude the goal of ready broadband access remains an elusive one for many Canadians.

¹ PN 2004-1, paragraph 21.

² *Fourth report of the Canadian Radio-television and Telecommunications Commission addressing the Status of Competition in Canadian Telecommunications Markets and the Deployment and Accessibility of Advanced Telecommunications Infrastructure and Services*, page 87.

4. Existing Federal Government Support Programs

17. The federal government has consistently promoted the expansion of broadband access, both in terms of technology types and geographic reach, as a central plank of its *Connectedness Agenda* for Canadians. Two specific programs – BRAND and NSI – best illustrate the priority the government places on bringing broadband Internet access to as many Canadians as possible.
18. The BRAND program, launched in the Fall of 2002, uses a competitive process to bring broadband Internet to unserved rural, remote and First Nations communities. Local not-for-profit organizations, referred to as “community champions”, act as sponsors to organize and develop business plans on behalf of eligible communities. A first phase competitive process aides community champions in the preparation of their business plans, followed by a second phase competitive process to provide financial assistance for implementation of the winning plans. All submissions for funding components are assessed by an independent National Selection Committee that also considers input from the provinces and territories in rating submissions from their respective regions. To date, two funding cycles (each consisting of the two phases described above) have been completed.³
19. The NSI, a joint project between Industry Canada, Infrastructure Canada and the Canadian Space Agency, was launched in the Fall of 2003. It was created to lower the cost of broadband access for communities in the Far and mid-North, and in isolated and remote areas of Canada, where satellite is the only reasonable means of connecting residents. Submissions are assessed through the evaluation process established under the BRAND program. The winners of the NSI’s first round of calls for proposals were recently announced.⁴
20. The initial budgets for the BRAND program and the NSI were established at \$105 million and \$155 million, respectively. Whereas this represents a considerable commitment, especially in the current fiscal environment, there is also every evidence that the demand for assistance from unserved and under-served communities far outstrips supply. One need only peruse the interactive maps on the Industry Canada web pages identified in footnotes 3 and 4 of these Comments to receive a sense of the number of communities across Canada – some remote, some not-so-remote – that do not yet have any options for broadband service.

5. Fido’s Proposal

21. Fido proposes that the accumulated surpluses in the ILEC deferral accounts be dedicated to a competitively-neutral national subsidy program to promote the deployment of broadband facilities in unserved and under-served regions of Canada.

³ More details about the BRAND program can be found at <http://broadband.gc.ca/pub/program/bbindex.html>.

⁴ More details about the NSI can be found at <http://broadband.gc.ca/pub/program/nsi/index.html>.

22. For the new program to qualify as competitively neutral, eligibility must be open on a non-discriminatory basis to projects involving all types of Internet access providers employing all types of broadband technologies (terrestrial fibre, terrestrial wireless, Digital Subscriber Line, satellite or other). Furthermore, decision-making authority for selecting winning projects must be independent of any one access provider or class of providers.
23. Any subsidy program dedicated exclusively to funding ILEC broadband deployments, or which assigns decision-making authority over project selection to the ILECs, would clearly fail the test of competitive neutrality and would therefore be unacceptable.
24. Fido 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. For example, the responsibility for drafting and submitting proposals could lie with "community champions", acting independently to assess which access provider and which access technology best satisfy the broadband requirements of their particular communities. The responsibility for selecting winning proposals should also lie with an independent body. In fact, it may be desirable to solicit the direct participation of the BRAND National Selection Committee for this purpose.
25. In Fido's interrogatory responses of July 21, 2004 filed as part of this proceeding, we provided more details on the modalities of the BRAND and NSI programs, and how the processes established for them may assist in developing a fund to disburse the surpluses in the deferral accounts. We will not repeat those responses in these comments.
26. Regarding the amount of deferral account funds that would be required for Fido's proposal, we note that a program based on calls for proposals, as this one would be, is easily scalable to meet available resources on a national or regional basis. In our view, the Commission would be sending a strong signal of support for the federal government's *Connectedness Agenda* if it were to target a funding commitment from ILEC deferral accounts equal to the government's own \$260 million existing commitment to the BRAND and NSI programs.

6. Consistency with the Commission's Policy Objectives

27. Fido's proposal is fully consistent with all five of the policy objectives established by the Commission for the disposal of the ILEC deferral accounts, cited earlier in these Comments.
28. First, by working to bring much-needed broadband access to unserved and under-served communities, Fido's proposal is in obvious agreement with the Commission's objective of promoting a more uniform availability of high quality telecommunications services across urban and rural Canada.

29. Second, by providing customers with access to vital broadband services they might otherwise not receive, and by doing so in a competitively neutral manner that does not discriminate in favour of either the incumbents or their competitors, Fido's proposal succeeds admirably in balancing the interests of the three main telecommunications stakeholder groups.
30. Third, as Fido's proposal provides financial support for infrastructure projects and does so on a competitively neutral basis, it is obviously consistent with the principle of fostering facilities-based competition. In fact, we would stress to the Commission that, with the advent of VoIP technologies, Fido's proposal may prove to be one of the only ways to deliver effective facilities-based competition in the local voice services market for many Canadian communities.
31. Fourth, by requiring incumbents to compete on a level playing field with alternative access providers for the attention of community champions, the Fido proposal forces incumbents to be efficient and innovative.
32. Fifth, by relying on community champions to assess which service providers and technologies can best satisfy their communities' needs, and then involving the BRAND National Selection Committee or a similar independent body to select the winning projects, the Fido proposal minimizes the regulatory burden on the ILECs and other parties. Subsidy support would be distributed in a flexible, scalable and efficient manner with minimal required oversight beyond the project selection stage.

7. Support for the Fido Proposal

33. The record of this proceeding has shown that there is considerable and broad support by various parties to use the deferral account to extend broadband facilities to unserved and underserved communities in Canada. These parties include, among others, Barrett, Network B.C., the CCTA, RipNet, Xit, Telus and even Bell Canada.

34. For example, Network B.C. stated:

" [...] the Province of British Columbia strongly supports use of a portion of the deferral account to support telecom related initiatives including e-health, e-commerce, heartland economic development as well as the provision of digital access to our First Nations."⁵

35. The CCTA proposed:

"[...] that the amounts in the ILECs' deferral accounts be used to fund the construction and maintenance of transport facilities needed to extend

⁵ Network B.C. comments, October 15, 2004, page 3.

*broadband services from the internet backbone to unserved rural and remote communities rather than allocated to construction of facilities in a community.*⁶

36. And RipNet noted that:

*"It is in the public interest to build the facilities needed to provide high-speed broadband and other telephony services to low-density rural and remote communities."*⁷

37. Bell Canada also recognized that using the deferral account surplus to fund broadband deployment in Canada has been the single most supported proposal in this proceeding:

*"Indeed, no other single initiative had as much support in principle from parties to this proceeding. The CCTA, Microcell, RipNET, TELUS, Xit, and NetWork B.C. have all suggested broadband expansion as a use of deferral account funds. The broad support from parties to fund such an initiative is indicative of the very significant benefits that are acknowledged to accrue to customers and to the economy in general from the availability of broadband services."*⁸

38. Fido would single out the comments of Barrett. Barrett, as a competitive supplier of broadband access in rural areas, has a unique perspective to offer the Commission with respect to the deployment of broadband in unserved and underserved areas.

39. Barrett stated that:

*"Many of the technologies employed by alternative broadband providers, such as fixed wireless, WiFi and WiMAX, require a much lower investment in infrastructure than does the DSL technology proposed by Bell. Indeed, employing the deferral funds to defray the cost of building out the DSL infrastructure is probably the least efficient means of reaching the Commissions (sic) goals in terms of return on capital."*⁹

40. Barrett further submitted that, in light of above, and the inherent flaws in the Bell and Telus proposals:

"[...] the Commission could better achieve the goal of extending broadband services to unserved communities by directing that a certain portion of the deferral funds be directed into existing programs such as BRAND and NSI. In this respect, BXI supports the proposal made by Microcell Telecommunications Inc., in its May 19, 2004 submission [...]."

41. Barrett concluded by stating: *"BXI recommends to the Commission that the Microcell Proposal be adopted as the means by which the Commission can best achieve its stated goals."*¹⁰

⁶ CCTA comments, October 15, page 1.

⁷ RipNet comments, May 19, 2004, page 1.

⁸ Bell Canada comments, October 15, 2004, page 3.

⁹ Barrett comments, October 15, 2004, page 11.

¹⁰ Barrett comments, October 15, 2004, pages 14-15.

42. The adoption of the Fido proposal would, we believe, provide the benefits of broadband and the benefits of competitive innovation to a larger number of Canadians than either proposal from Bell Canada or Telus.
43. In Fido's opinion, Bell Canada and Telus have developed proposals which allow the proponents, the ILECs, to be in charge of technology choice, where broadband is to be deployed, and what broadband will cost the consumer.
44. By contrast, we submit that our proposal would do far more to expedite the deployment of affordable and state-of-the-art broadband services than either the Bell Canada or the Telus proposal, as it would permit the best technological choice to be deployed, at the best cost, from the best operator.
45. Fido would note as an example the speed by which broadband access has been introduced into the Nunavik Region in Northern Québec. An agreement was signed between Inukshuk and the Kativik Regional Government on July 20, 2004, to establish broadband wireless facilities in all fourteen of Québec's Inuit communities. This feat was accomplished well in advance of the target date, with build-out to all fourteen communities completed last week.
46. Further, with the deployment of broadband access facilities using a variety of technological choices, consumers will also gain access to competitive local telephony services through VoIP technology.
47. Other benefits can also be expected to accrue to consumers as a result of broadband deployment. As noted by the CCTA:

*"[...] Use of the deferral account to finance the roll-out of broadband access complements the policy objectives of the Act and in Telecom Decision 2002- 34. Funding broadband roll-out will: make reliable and affordable telecommunications services available in rural areas; provide and encourage the use of Canadian advanced transmission facilities that do not currently exist; foster competition and introduce competition in communities where it may otherwise never occur; enhance the economic and social development of small and remote communities; balance the interests of customers, competitors and incumbent telephone companies; foster facilities-based competition; and provide incumbents with incentives to increase efficiencies and to be more innovative."*¹¹
48. Accordingly, given the broad level of support from a number of parties in this proceeding to use the ILEC deferral account funds for the deployment of competitive broadband facilities and alternative technologies, and the clear benefits that would accrue to consumers with greater deployment of broadband facilities, Fido strongly recommends that the Commission implement the Fido proposal to fulfill this demand as it proposes to offer consumers a viable, neutral, cost-effective method of completing this task.

¹¹ CCTA, Response to Interrogatory CCTA(CRTC)23June04-1, page 3 of 4.

8. On the question of allocation of deferral accounts monies to Industry Canada's broadband initiatives

49. In the interrogatory phase of this proceeding, the Commission sought comments on the option where it 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.
50. We responded to Interrogatory Fido(CRTC) 11Mar05-101 by stating we fully support the option of allocating a portion of each ILEC's deferral account directly to Industry Canada's BRAND and/OR NSI programs to expand broadband to unserved areas, since it almost perfectly echoes the position it has promoted throughout this process, i.e., that accumulated surpluses in the ILEC deferral accounts be dedicated to a competitively-neutral national subsidy program to promote the deployment of broadband facilities in both unserved and under-served regions of Canada. We strongly encourage the Commission not to forget under-served regions and to include these as well in the list of areas eligible for funding. Typically, an under-served region is one where broadband Internet access may be available in part of the region, but is limited in its availability, by reason of geography limits, cost or technology constraints.
51. The Commission's suggestion refers to two models that function well in disbursing funds for broadband access and backhaul in rural, remote, unserved communities of the country. Hence, there is no need to re-invent the wheel and create another administrative scheme for the administration of the deferral account funds that would actually increase regulatory oversight.
52. In our view, the Commission's suggestion would substantially help to expedite the deployment of affordable and state-of-the-art broadband services as it would permit the best technological choice to be deployed, at the best cost, from the best operator, in a truly competitively neutral, viable, innovative and effective manner.
53. The BRAND program is a perfect example of a truly competitively neutral funding process: it operates through a National Selection Committee which comprises 24 members representing all regions of Canada and a cross-section of professional backgrounds."
54. Bell Canada expressed support for the option evocated by the Commission, in the following words:

"As the Company noted in Bell(Consumer Groups)23Jun04-7 PN 2004-1, in principle, funds from the Company's deferral account could be directed to any party that was prepared to construct the necessary facilities and offer broadband services to the portions of Bell Canada's serving area where broadband services are not available and which meet the other predetermined qualification criteria for inclusion in the program. The administration of a program to direct funds to parties for this purpose could

involve the Commission or a third party such as Industry Canada's BRAND and/or NSI programs.

However, as the Company noted in Bell(CRTC)23Jun04-1 PN 2004-1 and explained in greater detail in its Comments, the funds in a given ILEC's deferral account should not be directed to projects that benefit subscribers outside of that ILEC's serving territory, and there are certain legal issues associated with creating, in essence, a national deferral account fund. Consequently, in the current case, any funds provided to the BRAND and/or NSI programs from Bell Canada's deferral account would have to be earmarked for the expansion of broadband to unserved areas that met the qualification criteria within Bell Canada's serving area. Under this condition, the Company would not object to the administration of its proposed broadband expansion program via the BRAND and/or NSI programs."¹²

9. Elimination of contribution collection

55. In PN 2004-1, the Commission indicated that the emphasis was initially on the disposition of the surplus deferral account balances from the first two years of the price cap period, while the Commission also indicated that it may direct uses for future amounts in each ILEC's deferral account.¹³ As part of the procedures, the Commission directed the ILECs to provide the proposed amount in the deferral accounts for the first three years of the price cap period.
56. More generally, Fido notes that deferral accounts will accumulate funds for the initial four years of the price cap period. Furthermore, in Telecom Public Notices 2005-3 and 2005-4, the Commission proposed to extend the application of current price cap regime for an additional two years. This would result in further accumulations of funds in the deferral accounts. For example, Fido estimates that for Bell alone, there will be annual balances of approximately \$90-100 million in the deferral account for each of years 4 – 6, assuming drawdowns from the account for the full amount of Bell's estimated impact of Decision 2005-6 and the impact of Decision 2005-23.¹⁴
57. Fido submits that there would be substantial benefits to all users of telecommunications services if the additional funds going forward were used to eliminate the contribution collection obligations on telecommunications service providers (TSPs). Under this proposal there would be no change to the distribution of the funds to subsidize the provision of local service in High Cost Serving Areas (HCSA). All eligible LECs would continue to be able to access the per line subsidy to support the cost of providing service in HCSAs.

¹² Bell Canada response to Interrogatory Bell Canada(CRTC)11Mar05-101, pages 1&2.

¹³ PN 2004-1, para. 18.

¹⁴ Based on Bell(CRTC)24Mar04-1, Attachment A Update and extended for three additional years including the estimated impacts of Decisions 2005-6 and 2005-23.

58. In Decision 2000-745, the Commission established a national revenue-based contribution collection mechanism. Under the contribution regime, TSPs with annual Canadian telecommunications service revenues of \$10 million or greater are required to contribute towards the subsidization of residential local service in HCSAs. This contribution is collected through a revenue-based mechanism where a revenue-percent charge is applied against a TSP's contribution-eligible revenues.¹⁵ The revenue-percent charge is calculated using the ratio of the national subsidy requirement to the total reported contribution-eligible revenues of all TSPs who are required to contribute.
59. When this contribution collection mechanism was initially established, the amounts collected were equal to 4.5 percent of TSP's Canadian telecommunications service revenues. The amount collected and the percentage levy have since been reduced. The charge is currently set on an interim basis at 1.1 percent.
60. The proposal meets the objectives established by the Commission. The national contribution fund would receive the funds from the deferral account, thus ensuring that reliable and affordable services are accessible to urban and rural area customers. All TSPs would benefit from the elimination or reduction in the contribution revenue charge. Eliminating or reducing the contribution revenue charge would improve the operating margins for all TSPs, providing additional funds to invest and develop new innovative technologies and services, as well as fund the on-going build out of competitive facilities. Customers would benefit from healthier competitive markets and access to new and innovative services.
61. Fido submits that using the deferral account balances to remove the contribution collection obligations on telecommunications service providers would be consistent with the Commission's emphasis on regulatory streamlining and reducing regulatory burden. This benefit will increase as more telecommunications service providers such as VoIP providers and other local telephony service providers, including cable companies, enter the market.
62. The regulatory reporting requirements associated with the contribution collection mechanism are significant. Based on a review of the Procedures for the Operation of the National Contribution Fund filed with the Commission on December 14, 2004 TSPs with revenues of \$10 million or greater are required to complete and file annually with the Commission a calculation of its Canadian telecommunications revenue as well as its contribution-eligible revenues, along with a compliance statement in the form of an external auditor attestation or affidavit, as well as a copy of its annual audited financial statements. Furthermore, those TSP determined to be required contributors to the national contribution fund must report monthly to the CFA its contribution-eligible revenues and remit payments due to the national contribution fund to the CFA for distribution. In addition, TSPs are to file a report annually with the auditor of the national contribution fund.
63. In addition to these regulatory reporting requirements, there are significant costs associated with administering and operating the national contribution fund. Based

¹⁵ Contribution-eligible revenues are calculated based upon a TSP's Canadian telecommunications service revenues less certain specific deductions including retail Internet revenue, retail paging revenue and terminal equipment revenue.

on 2004 information, the annual administrative and operation costs amounted to approximately \$914,000. Fido submits that a significant portion of these administrative and operational costs could be eliminated through the use of the funds from the deferral account to eliminate the contribution collection obligations on TSPs. For example, there would no longer be costs associated with the processing and review of reports from TSPs, assessing penalties on late payments, and administering the reimbursement of surplus funds. Furthermore, there would be cost savings for TSPs resulting from the reduced regulatory reporting requirements, including the requirement to file monthly reports.

64. Fido submits that eliminating the contribution collection mechanism would benefit all stakeholders – competitors, ILECs and customers and represents an appropriate use of the deferral account balances.

10. Conclusions

65. In summary, Fido proposes that the accumulated surpluses in the ILEC deferral accounts be dedicated to a competitively-neutral national subsidy program to promote the deployment of broadband facilities in unserved and under-served regions of Canada.
66. Such a program could be modelled upon, and perhaps even operate in conjunction with, Industry Canada's well-respected BRAND and NSI programs. It would satisfy all the Commission's stated policy objectives for the disposal of the deferral accounts, and moreover would make a substantial contribution to realizing the federal government's *Connectedness Agenda* for Canadians.
67. Fido submits that this proceeding presents the Commission with an exciting opportunity; one to help expand broadband deployment to unserved and underserved communities throughout the country.
68. Such an opportunity, in Fido's opinion, comes along rarely, and the Commission should seize it to set clear direction to bridge the digital divide that separates urban areas from rural, and served areas from unserved.
69. Fido believes that the Inukshuk experience provides a clear lesson: alternative network operators and new technological solutions can meet broadband demand quickly, efficiently and cost-effectively deployed. It is in this spirit that the Commission should consider the implementation of Fido's proposal to ensure the most effective deployment of broadband to the greatest number of communities in Canada.
70. Furthermore, Fido also believes that eliminating the contribution collection mechanism would benefit all stakeholders – competitors, ILECs and customers and represents an appropriate use of the deferral account balances.

71. Fido greatly appreciates the opportunity to file these comments, and hopes that they will assist the Commission in its deliberations.

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