Industry Canada   Industrie Canada

8 April 2005

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

Dear Ms. Rhéaume:

Subject: Public Notice 2004-1, *Review and disposition of deferral accounts for the second price cap period* - Interrogatory response

1.   Further to the Commission's letter dated 11 March 2005, Industry Canada is filing the following response to interrogatory Industry Canada(CRTC)11Mar05-1.

2.   Pursuant to Section 18 (2) of the *Rules of Procedure of the Canadian Radio- television and Telecommunications Commission,* Industry Canada wishes to advise the Commission that it is unable to include, in its response, any expressions of opinion or speculation regarding the issues referred to in the interrogatory.   Any input by Industry Canada into the above-noted proceeding that is other than factual is not appropriate in view of the Minister of Industry's role in the variation, rescission or referral of a decision of the Commission further to Section 12 of the *Telecommunications Act.* Accordingly, the Industry Canada response will be limited to factual information regarding the programs referred to in the interrogatory.

1.   A machine-readable file copy of this submission is provided to the Commission and interested parties via Internet email.

Yours truly,

Kathy Fisher
Director
Broadband Program

Attachments

c.c.:   Parties to Public Notice 2004-1

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INFORMATION REQUESTED BY
CANADIAN RADIO-TELEVISION AND TELECOMMUNICATIONS COMMISSION

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 BRAND program. 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.**

A) **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.**
B) **If the Commission were to allocate funds from the deferral account to Industry Canada's BRAND and/or NSI programs explain how these funds would be used to extend broadband service to unserved areas of Canada.**
C) **What is the current status of the BRAND and NSI programs.**
D) **Specify an amount that would be an appropriate contribution to the BRAND and/or NSI programs.**
E) **Comment on a system whereby any funds allocated to the BRAND and or/NSI programs from the ILEC deferral accounts would be reserved for use in the territory of the ILEC from whose deferral account the funds are withdrawn.**

A. Broadband for Rural and Northern Development Pilot Program

Background

The Broadband for Rural and Northern Development Pilot Program (Broadband Pilot Program) is a one-time business plan development funding and capital cost matching program that targets the provision of broadband access to Aboriginal, northern, rural and remote communities.

In recognition that broadband was becoming an increasingly important part of Canada's communications infrastructure, and that it had become an essential enabler for economic, cultural, and social development, the 2001 Speech from the Throne (SFT) committed to making broadband widely available to all communities in Canada. In 2001, the Minister of Industry established the National Broadband Task Force with the

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mandate of advising the government on how best to achieve its
broadband commitment. The arm's-length National Broadband Task
Force found compelling evidence of a systemic gap between the quality
of life enjoyed by Canadians living in or near the urban areas and those
living in rural, remote and northern areas. In response to the
recommendations of the Task Force, the Broadband Pilot Program was
created in September 2002.

The Broadband Pilot Program supports Canadian communities in the
development and implementation of business plans for the deployment of
broadband infrastructure. A priority is placed on those communities
affected by the digital divide, such as First Nations, northern, rural and
remote communities. Most often, improved access is necessary in
Aboriginal, northern, rural and remote communities in order to provide
services in the area of health and education, as well as to augment
economic opportunities. The pilot program further encourages the private
sector in taking a lead role in partnership with the communities to deploy
the broadband infrastructure. This pilot program contributes to delivering
on the Government of Canada's commitment to ensure the availability of
broadband access in all Canadian communities.

The Broadband Pilot Program is a $105 million initiative, in which the
program will contribute up to 50 percent of a project's costs. The
community champion sponsoring organizations are required to cover at
least 50 percent of the eligible costs on a cash and/or "in-kind" basis.
These matching contributions may be provided by the community itself,
by federal departments, other levels of government, the private sector,
foundations, non-profit organizations, individuals and volunteers within
the community.

This program uses a competitive two-phase process. In the first phase,
not-for-profit organizations, representing communities without broadband
access, apply to receive up to $30,000 to support the development of a
business plan to expand broadband to unserved communities. In the
second phase, applicants submit their broadband business plans for
consideration of funding towards the implementation of their business
plans.

All funding options are premised on four key principles: community
engagement to support long term network sustainability; open access to
third parties to the funded telecommunication infrastructure; a clear role
for the private sector; and the completion of a commercially and
technologically neutral request for proposal process.

The national Broadband Office at Industry Canada is responsible for
overall program delivery and coordination. Program officers in the
regional offices are responsible for delivering the Broadband Pilot
Program and act as the first point of contact for community champions
and potential applicants to the program.

A National Selection Committee (NSC) is comprised of 24 members from all regions of Canada, who are individual leaders from academia, government and the private sector, as well as health, education and community organizations. The NSC was put into place to review project proposals and make recommendations to the Minister of Industry on which proposals should receive funding for the development of business plans and subsequently, for the implementation of business plans.

The community champions selected to receive funding enter into a contribution agreement with Industry Canada. Contribution agreements outline in detail the terms and conditions by which projects will be funded, including the amount of federal funding to be provided, project milestones, payment schedules (cash flow requirements) and anticipated results.

Groups involved in the delivery and completion of a project under the program include:
- Community champion: A not-for-profit organization or Indian Band acting as a sponsor that will organize and develop a business plan on behalf of eligible communities.
- Eligible community: For a community to be considered eligible under the Broadband Pilot Program, it currently must have no publicly available broadband infrastructure that is capable of meeting its broadband needs.
- Project leader: The person responsible for the overall management of the project on behalf of the community champion.

Objectives achieved to date:

The Broadband Pilot Program has conducted two rounds of business plan development funding (phase I), followed by two rounds of implementation funding (phase II), each with a competitive call by Industry Canada for the submission of applications from interested communities throughout Canada.

Under the two rounds of business plan development funding, 154 projects, representing approximately 2,285 communities, were selected to receive up to $30,000 each to develop business plans that outlined their vision for the application of high-capacity Internet services. In total, $4.2-million was invested in the development of business plans.

Uptake under the Broadband Pilot Program has been positive and it has resulted in 58 projects (representing approximately 884 communities, including 116 First Nations reserves) being selected to receive support for broadband infrastructure builds. For every federal dollar invested, as much as two dollars has been invested by the private sector, provincial and territorial governments and other partners.

Total Project costs: $216,091,619
Broadband Dollars invested: $80,334,722

The demand for Broadband Pilot Program funding in communities across Canada exceeded the program's resources, with the result that some 134 communities included in meritorious proposals remained unfunded. The Broadband Pilot Program created a momentum, which enabled the creation of partnerships between all levels of government, communities, and the private sector.

Because the various projects funded under the program are for the most part still in the building stage, the real economic, social and cultural impacts of the program will only be realized several years down the road.

National Satellite Initiative and other connectivity projects

The National Satellite Initiative (NSI) is a $155 million initiative between Infrastructure Canada, Industry Canada and the Canadian Space Agency to provide high-speed capacity to Far North, Mid North, and remote communities that cannot receive broadband access in any form other than satellite. The NSI is funded by Infrastructure Canada under the Canada Strategic Infrastructure Fund (CSIF). Industry Canada is the delivery partner for the NSI and other connectivity projects funded under CSIF, and in this capacity is responsible for the implementation of CSIF contribution agreements. Industry Canada also shares with Infrastructure Canada the responsibility for selecting projects.

Under the NSI, the Canadian Space Agency is contributing a $50 million credit of Ka-Band satellite capacity from Telesat Canada's Anik F2 satellite for the deployment of broadband services in the northern parts of Canada. This capacity is available for public and community-based institutions in the North and Far North over the next eleven years.

A majority of the approximately 400 communities currently targeted by the NSI are Aboriginal communities.

Other connectivity projects supported by CSIF include: in Newfoundland and Labrador (broadband connectivity in over 90 learning centres); in New Brunswick (broadband access to communities across the province); and, most recently in the Îles-de-la-Madeleine (underwater fibre optic cables to link schools and hospitals).

Assessment criteria for business plan implementation funding

Under the Broadband Pilot Program, the NSI National Satellite Initiative and other CSIF connectivity projects, business plans must meet the following assessment criteria:

Community Needs: Evidence that the proposed broadband deployment is based on a realistic assessment of community needs.

Anticipated Benefits: Evidence of the direct and indirect benefits to the community(ies) involved as a result of the proposed broadband deployment.

Financial Support for the Project: Evidence that financial resources will be forthcoming from other sources (e.g., community, private sector, other levels of government) to match the requested Broadband Pilot Program contribution.

Project Management: Evidence that the community champion has the administrative capability to manage the implementation of the business plan.

Technological Solution: Evidence of the appropriateness and availability of the proposed technological solution.

Project Sustainability: Evidence of a long-term (i.e. minimum five years) strategy to sustain the broadband services deployed as a result of this project.

Transparency of Request for Proposal (RFP) Process: Evidence that the RFP process was undertaken in a competitive and transparent manner that does not favor one technology over another (other than for NSI projects, which must be satellite-based).

Open access: Evidence that the proposed broadband solution will be open access such that third parties can access the telecommunications facilities funded by the program. Open access ensures that the benefits of government-funded broadband infrastructure are shared to the greatest extent possible by:
• ensuring maximum value to taxpayers and recipients, and
• encouraging competition, innovation and better prices for end users.
Open access was a fundamental principle adopted by the National Broadband Task Force in its 2001 report. The Task Force report stated: "In these models, open access to the facilities, including the point of presence or meet-me point, is a critical element."

<u>Project Cost:</u> Evidence of a reasonable and realistic assessment of estimated total costs and a justification of the level of federal funding required.

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